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annual report 2018

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engro corp

lifelong learning

People are the sole enduring foundation of competitive advantage when they develop into effective leaders who are capable of making meaningful contributions to society. The Engro Leadership Academy, a school within the Karachi School of Business & Leadership, focuses on development of character, competence, and sound decision-making skills - the hallmarks of effective leadership.

company information

Board of Directors
Hussain Dawood - Chairman
Abdul Samad Dawood - Vice Chairman
Ghias Khan - President
Henna Inam
Khawaja Iqbal Hassan
Muhammad Abdul Aleem
Raihan Merchant
Rizwan Diwan
Shahzada Dawood
Waqar Malik

Chief Executive Officer
Ghias Khan

Company Secretary
Faiz Chapra

Chief Financial Officer
Hasnain Moochhala

Bankers
Allied Bank Ltd
Askari Bank Ltd
Bank Al-Falah Ltd
Bank Al-Habib Ltd
Citi Bank N.A
Faysal Bank Ltd
Habib Bank Ltd
Habib Metropolitan Bank Ltd
JS Bank Ltd
MCB Bank Ltd
Meezan Bank Ltd
National Bank of Pakistan Ltd
Soneri Bank Ltd
Standard Chartered Bank (Pakistan) Ltd
United Bank Ltd

Auditors
A.F. Ferguson & Co
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road
Karachi-74000, Pakistan
Tel: +92(21) 32426682-6 / 32426711-5
Fax: +92(21) 32415007 / 32427938

Share Registrar
FAMCO Associates (Private) Limited
8-F, Near Faran Hotel, Nursery, Block-6
PECHS, Shahrah-e-Faisal, Karachi

Registered Office
7th & 8th Floors, The Harbor Front Building
HC # 3, Marine Drive, Block 4, Clifton
Karachi-75600, Pakistan
Tel: +92(21) 35297501 – 35297510
Fax: +92(21) 35810669
e-mail: info@engro.com
Website: www.engro.com

key figures

	2018	2017	2016
Revenue (Rs. in millions)	171,568	128,593	157,208
Profit After Tax (attributable to owners) (Rs. in millions)	12,708	9,407	69,107
Earnings Per Share (Rs.)	24.26	17.96	131.94
Total Assets (Rs. in millions)	393,155	323,860	290,333
Total Equity (Rs. in millions)	185,587	171,074	169,091
Capital Expenditure (Rs. in millions)	36,580	29,883	25,085
Cash Flow from Operation (Rs. in millions)	28,940	21,120	4,070
Dividends (Rs. in millions)	18,843	17,096	17,735
Market Capitalization (Rs. in millions)	152,463	143,910	165,563

engro corp

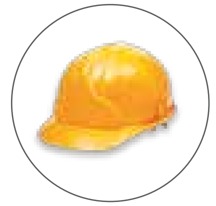
our vision

to be the premier pakistani enterprise with a global reach, passionately pursuing value creation for all stakeholders

core values

Innovation & Risk Taking

Success requires us to continually strive to produce breakthrough ideas that result in improved solutions and services. We encourage challenges to the status quo and seek organizational environments in which ideas are generated, nurtured and developed. Engro appreciates employees for well thought out risks taken in all realms of business and for the results achieved due to them, acknowledging the fact that not all risks will result in success.



Health, Safety & Environment

We will manage and utilize resources and operations in such a way that the safety and health of our people, neighbors, customers and visitors is ensured. We believe our safety, health and environmental responsibilities extend beyond protection and enhancement of our own facilities.

Ethics & Integrity

We do care how results are achieved and will demonstrate honest and ethical behavior in all our activities. Choosing the course of highest integrity is our intent and we will establish and maintain the highest professional and personal standards. A well-founded reputation for scrupulous dealing is itself a priceless asset.

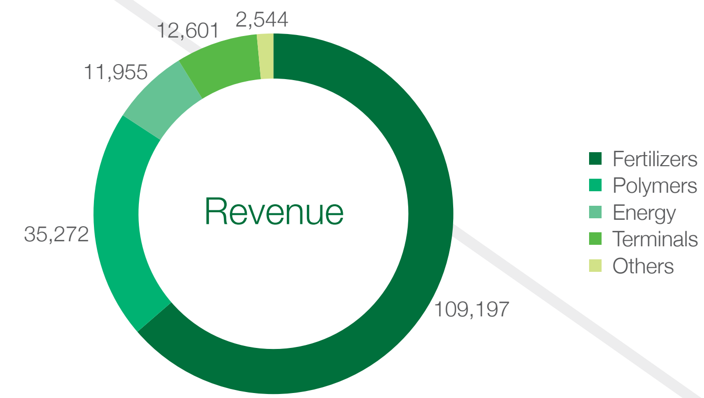
Community & Society

We believe that a successful business creates much bigger economic impact and value in the community, which dwarfs any philanthropic contribution. Hence, at Engro, sustainable business development is to be anchored in commitment to engage with key stakeholders in the community and society.

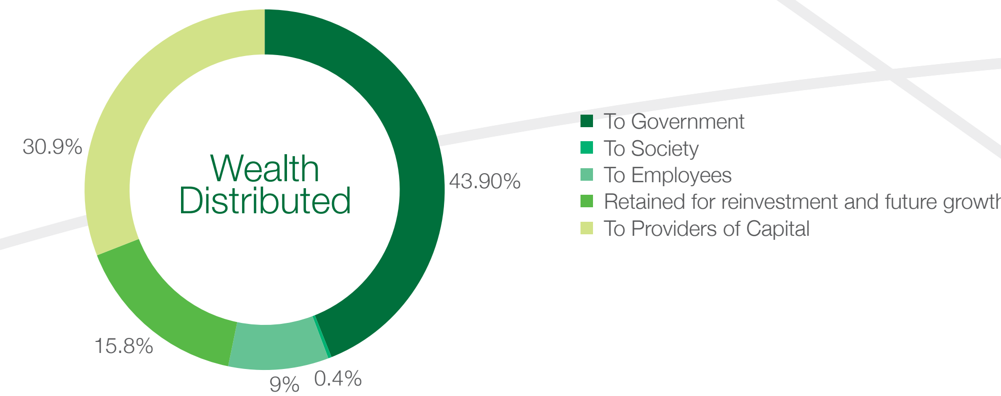
Our People

We strongly believe in the dignity and value of people. We must consistently treat each other with respect and strive to create an organizational environment in which individuals are fairly treated, encouraged and empowered to contribute, grow and develop themselves and help to develop each other. We do not tolerate any form of harassment or discrimination.

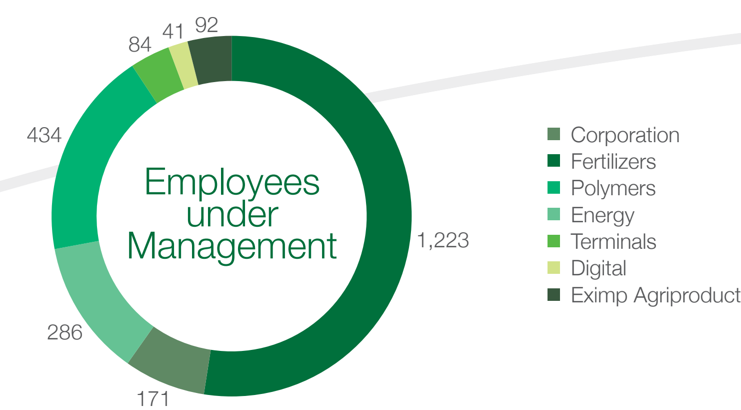
at a glance



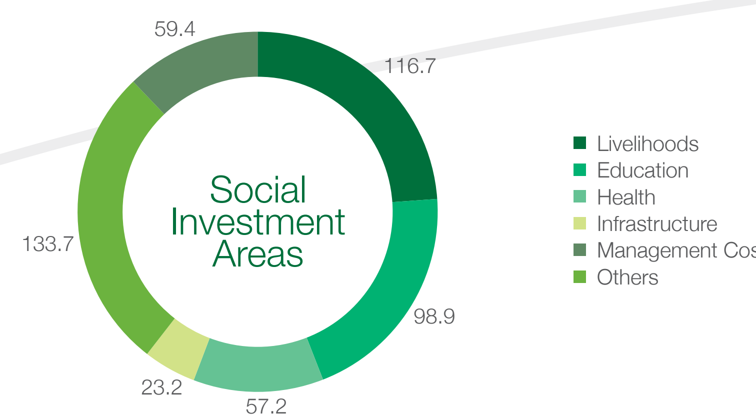
171,568
Consolidated Revenue
(Rs. in millions)



78,629
Wealth Distributed
(Rs. in millions)



2,331
Total Employees



489.1
Total Social Spend in 2018
(Rs. in millions)

board of directors

Rizwan Diwan | Waqar Malik | Henna Inam | Abdul Samad Dawood (Vice Chairman)
Hussain Dawood (Chairman) | Ghias Khan (President) | Khawaja Iqbal Hassan
Muhammad Abdul Aleem | Shahzada Dawood | Raihan Ali Merchant

board of directors

Hussain Dawood (Chairman)

Hussain Dawood is the Chairman of the Dawood Hercules Group, a family-owned business, with a history of entrepreneurship spanning over a century.

During the last 50 years, Mr. Dawood has driven the Group and its investments with a vision of purpose - focusing on solutions to pressing challenges of the country. Today, the Group is recognised as a diversified conglomerate that endeavours to make notable contributions to sectors that are drivers of economy and society.

Mr. Dawood also serves as the Chairman of Engro Corporation, one of the leading corporates of the country, operating in diversified sectors like Fertilizers, Dairy, LNG & Chemical Terminals, Petro-Chemicals, Power Generation, Renewable Energy, Industrial IOT and Information Technology. Under the stewardship of Mr. Dawood, Engro has emerged as a partner of choice for international companies looking to work in Pakistan; Royal Vopak, Royal FrieslandCampina, Mitsubishi, China Machine Engineering Company and International Finance Corporation, to name a few, are all partners in various subsidiaries and associated companies.

The family has long been committed to Human Development and Mr. Dawood also chairs the Board of Trustees for The Dawood Foundation. Set up in 1962, the Foundation focuses on creating collective change by building interactive spaces for formal and informal learning. He is the Founder & Chairman of the Board of Governors of Karachi School of Business & Leadership, a graduate management school focused on inspiring Effective Leaders. Mr. Dawood is also on the Board for Teach the World Foundation, aiming to address the challenge of illiteracy through technology based on self-learning.

He is a member of the World Economic Forum since 1992, and its Global Agenda Councils of Anti-Corruption and Education. He was conferred the award “Ufficiale Ordine Al merito della Repubblica Italiana” by the Republic of Italy in 2008.

Hussain Dawood holds a MBA from the Kellogg School of Management, Northwestern University, USA, and is a graduate in Metallurgy from Sheffield University, UK.

Abdul Samad Dawood (Vice Chairman)

Abdul Samad Dawood has 15 years of experience in management and governance. He joined the Engro Corporation Board in 2009 and now serves as Vice Chairman of the Board.

He is also Chairman of Engro Foods Limited, and sits on the Boards of Dawood Hercules Corporation Limited, Dawood Lawrencepur Limited, Engro Fertilizers Limited, Reon (Private) Limited, Dawood Industries, Pakistan Business Council (PBC) and Trustee on the Board of Dawood Foundation. Additionally, he is a member of the Young Presidents' Organization.

Mr. Dawood has previously served as Independent Director of International Industries Ltd. and Independent Non-Executive Director by Sui Northern Gas Pipelines Ltd. He has also served on the board at Engro EXIMP Pvt. Ltd., Inbox Business Technologies Pvt. Ltd., The Hub Power Company Limited, Tenaga Generasi Limited, Pebbles (Private) Limited and World Wild-Life Fund for Nature-Pakistan. He was previously CEO of Dawood Hercules Corporation Limited and Cyan Limited. He also commands operational experience gained at Dawood Lawrencepur Limited and Dawood Hercules Chemicals.

Abdul Samad Dawood is a graduate in Economics from University College London, UK and a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

Ghias Khan (President)

Ghias Khan is the 4th President & CEO of Engro Corporation. Since he came on board at the end of 2016, Ghias has been instrumental in revamping Engro's strategy, culture, and global outreach. Ghias, along with the Board of Directors, have defined a powerful central narrative for Engro Corporation that will chart its path for years to come.

There have been several notable achievements for Engro under Ghias' guidance thus far.

He has stewarded Engro's renewed commitment in the petrochemical sector, with several growth initiatives in Engro Polymer & Chemicals and other greenfield projects, consolidated the management of all energy assets under one platform with a long-term strategy of investing in the overall energy value chain, paved the way for more cooperation with our long-time partner, Royal Vopak, through their entry in Engro Elengy, and, finally, has been instrumental in the robust turnaround of the rice business of Engro Eximp Agriproducts which won its first-ever Top Exporter Award in 2018.

Ghias is currently leading several innovative transformations at Engro, including an extensive HR transformation that focuses on revamping all talent management, development, and reward philosophies. In this vein, 2018 marked the launch of the Engro Leadership Academy, which will serve as a platform to develop effective leaders. Further, Ghias is spearheading Engro's OneSAP initiative, which will bring the group onto a singular technology platform and will lay the foundation for a digital future.

Former CEO of Inbox Business Technologies, an enterprise technology company that he co-founded in 2001 and remained with till 2015, Ghias grew the employees to over 1900 and pivoted the company from a computer manufacturer to a systems integrator, and then to a technology-enabled digital services company. In his final year at Inbox, it was voted the largest technology company in Pakistan by Domestic Spend. Ghias has also previously served as Executive Director of Dawood Hercules.

Currently, Ghias also serves as Chairman on the Boards of Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, and Engro Energy Limited. He holds a MBA from the Institute of Business Administration, Karachi.

Ghias was part of the Hong Kong under 16 cricket team, has represented Pakistan in the junior bridge team, and, in 2015, won the amateur singles championship at Karachi Golf Club.

Shahzada Dawood (Director)

Shahzada Dawood joined the Board of Engro Corporation in 2003.

Mr. Dawood also serves as Vice Chairman of the Board of Dawood Hercules Corporation Ltd and Director on the Board of Dawood Lawrencepur Ltd. He is Chairman of Inbox Business Technologies, an enterprise digital services firm, and a Trustee of The Dawood Foundation, supporting education initiatives.

Shahzada Dawood holds a M.Sc in Global Textile Marketing from Philadelphia University, USA, and an LLB from Buckingham University, UK. He is also a Certified Director of Corporate Governance from the Pakistan Institute of Corporate Governance.

Henna Inam (Director)

Henna Inam joined the Board of Engro Corporation in 2017 and also serves as Chair of the Board People's Committee.

Ms. Inam is the CEO of Transformational Leadership Inc., an organization that helps Fortune 500 companies grow transformational leaders. She is a former C-suite executive who drove transformation throughout her corporate career, including roles such as: Global Head e-Innovation at Novartis, and Chief Marketing & Innovation Officer and Region President for the Americas at Ciba-Vision.

Ms. Inam is on a mission to grow transformational leaders globally. She believes the world and workplaces need leaders at every level who are inspired by the work they do, and lead with agility from the core of who they are. She works with leaders and teams who have missions that matter to them, and are inspired to transform themselves in service of those missions.

Ms. Inam is an executive coach and trusted advisor to C-suite leaders, author of the book Wired for Authenticity, and writes for Forbes on leadership. She brings a global perspective, having lived and worked in seven countries across four continents. She is passionate about advancing women in leadership and is the founder and organizer for TEDxWomen in Atlanta. She is also a founding charter member of OPEN Atlanta. OPEN is the largest Pakistani entrepreneurship and leadership organization in the world.

Henna Inam completed her MBA from Wharton Business School at the University of Pennsylvania, and participated in Executive Education programs at Harvard Business School.

Raihan Ali Merchant (Director)

Raihan Ali Merchant joined the Board of Engro Corporation in 2018.

Mr. Merchant is currently Chairman & CEO of Z2C Pakistan and Chairman of Brainchild Communications Ltd and Blitz (Pvt) Ltd. He started Pakistan's 1st Media Agency, in 1997, creating a new business within the communications and advertising industry. He introduced the concept of research-based decision making for choice of media and that of People Meters to measure TV audiences, worked with PEMRA on TV governance regulations, consulted media organizations on building revenue streams, and helped launch Pakistan Super League – now the largest cricket event in Pakistan. His current projects include development of AI & BI tools in media, the launch of web publishing houses, development of sports as passion points and a specialized Sports Marketing Company in Pakistan.

In recognition of his development work in the industry, Mr. Merchant was honored with the Tamgha-e-Imtiaz from the President of Pakistan in 2012.

Raihan Merchant holds a Masters Degree in Business Administration from the Institute of Business Administration, Karachi.

Waqar Malik (Director)

Waqar A. Malik joined the Board of Engro Corporation in 2015.

Mr. Malik also currently serves as Non-Executive Chairman for Pakistan Oxygen Limited, Non-Executive Director of Standard Chartered Bank Pakistan Limited, Director on the Boards of TPL Insurance Limited and TPL Life Insurance Limited, and as Founder Chairman Noesis (Private) Limited. He is also Trustee for I-Care Pakistan, Member of the Advisory Board of Institute of Business Administration, and visiting faculty at Pakistan Institute of Corporate Governance. In March 2019, he was nominated as Director on the Board of Sarmaya Pakistan Limited.

Mr. Malik spent over 27 years with the ICI Plc group based in the UK and then Akzo Nobel in the Netherlands. In Pakistan, he was Country Head of ICI Pakistan Limited. In 2017, he cofounded a semi-private equity company, Adira Capital Holdings.

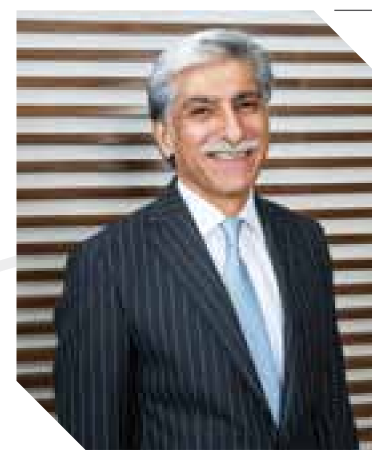
Waqar A. Malik is a fellow of The Institute of Chartered Accountants in England and Wales and is also an Alumnus of the Harvard Business School and INSEAD. He was awarded Prince of Wales medal as a Trustee of the Prince of Wales Pakistan Recovery Fund for the flood victims in 2010.

Rizwan Diwan (Director)

Rizwan Diwan joined the Board of Engro Corporation in 2018.

Mr. Diwan is the Executive Director of Novatex Ltd, which belongs to the G&T Group of Companies – a leading name in Home Textiles, Garments, Polyester Textiles, and Packaging Resin products in Pakistan. He also serves as Director on the Boards of a number of group companies.

Rizwan Diwan has taught at the Institute of Business Administration, Karachi, which is his alma mater from where he holds a Masters Degree in Business Administration.



Khawaja Iqbal Hassan (Director)

Khawaja Iqbal Hassan joined the Board of Engro Corporation in 2018.

Mr. Hassan currently also serves as Director on the Boards of State Bank of Pakistan and ICI Pakistan Ltd, as Member of the Monetary Policy Committee of Pakistan, and Trustee on the Boards of Karachi Grammar School, Layton Rehmatullah Benevolent Trust, and the Cardiovascular Foundation.

Mr. Hassan has previously served on the Boards of the Civil Aviation Authority of Pakistan (CAA), Pakistan Steel Mills, Habib Bank Ltd, National Fullerton Asset Management Company Ltd, NIB Bank, Lahore University of Management Sciences, Global Securities Ltd, Citicorp Investment Bank Pakistan, The Pakistan Fund, and the Central Depository Company of Pakistan. Mr. Hassan started his career in 1980 with Citibank N.A. In 1994, he founded Global Securities Pakistan Ltd, which concluded significant Privatization transactions in Pakistan and became a JV partner of UBS AG. He founded NIB Bank Ltd in 2003 which, in partnership with Temasek Holdings of Singapore, became a top 10 ranked commercial bank in Pakistan within a period of 4 years.

Mr. Hassan was awarded the Sitara-i-Imtiaz by the Government of Pakistan for meritorious contribution to national interests.

Khawaja Iqbal Hassan graduated cum laude from the University of San Francisco with majors in Finance and Marketing.

Muhammad Abdul Aleem (Director)

Muhammad Abdul Aleem joined the Board of Engro Corporation in 2015 and is Chairman of its Audit Committee.

Mr. Abdul Aleem, until recently, was also a Director and Chairman of Audit Committee at Dawood Hercules Corporation Ltd. He is also the CEO and Secretary General of Overseas Investors Chambers of Commerce & Industry (OICCI). He has worked in senior positions within both Exxon Chemicals and Engro Corporation, serving in both Singapore and Pakistan. Thereafter, he worked with British American Tobacco Group UK (BAT) in Pakistan and overseas, where he ultimately served as CEO of BAT Operations in Cambodia, Mauritius, and Indian Ocean territory. Since 2004, he has served in senior positions with large Government-owned organizations in Pakistan. His last assignment was as the Managing Director, Pakistan State Oil Company Ltd.

Mr. Abdul Aleem has been a Board Member of Lahore University of Management Sciences and Pakistan Refinery Ltd, and Chairman of Telephone Industries of Pakistan and Faysal Asset Management Company.

As a supporter of leading non-profit organizations in the field of education, Mr. Abdul Aleem is currently Vice Chairman of Professional Education Foundation and Chairman of Intellect School Board.

Muhammad Abdul Aleem is a Fellow Chartered Accountant (Gold Medalist) and a Fellow Member of the Institute of Cost & Management Accountant.

notice of meeting

NOTICE IS HEREBY GIVEN that the Fifty-Third Annual General Meeting of Engro Corporation Limited (the "Company") will be held at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi on Wednesday, April 24, 2019 at 10:00 a.m. to transact the following business:

A) Ordinary Business

(1) To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

(2) To declare, as recommended by the Directors, the payment of a final cash dividend at the rate of PKR 2.00 (@20%) for the year ended December 31, 2018.

(3) To appoint Auditors of the Company and fix their remuneration. The Members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s A.F.Ferguson & Co. for appointment as auditors of the Company.

B) Special Business

(4) To consider, and if thought fit, to pass the following resolution as Special Resolution, with or without modification:

"RESOLVED that the Authorized Capital of the Company be increased from Rs. 5,500,000,000 (Rupees Five Billion Five Hundred Million) divided into 550,000,000 (Five Hundred Fifty Million) ordinary shares of Rs. 10 each to Rs. 7,000,000,000 (Rupees Seven Billion) divided into 700,000,000 (Seven Hundred Million) ordinary shares of Rs. 10 each and that:

a) Clause 5 of the Memorandum of Association of the Company be and is hereby amended to read as follows:

"5. The Share Capital of the Company is Rs. 7,000,000,000 (Rupees Seven Billion) divided into 700,000,000 Ordinary shares of Rs. 10/- (Rupees ten) each."

b) Article 5 of the Articles of Association of the Company be and is hereby amended to read as follows:

"5. The share capital of the Company is Rs. 7,000,000,000 (Rupees Seven Billion) divided into 700,000,000 Ordinary shares of Rs. 10/- (Rupees ten) each."

RESOLVED FURTHER THAT, the ordinary shares when issued shall carry equal voting rights and rank pari passu with the existing ordinary shares of the company in all respects/matters in conformity with the provisions of the Companies Act, 2017.

RESOLVED FURTHER THAT, the Chief Executive Officer or Company Secretary be and are hereby singly authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal and corporate formalities and file all requisite documents with the Registrar to effectuate and implement this resolution."

(5) To consider, and if thought fit, to approve as recommended by the Directors, the issue of bonus shares @ 10% and pass the following resolution as Ordinary Resolution:

"RESOLVED that

a) A sum of Rs. 523,784,750 (Rupees Five Hundred Twenty-Three Million, Seven Hundred Eighty-Four Thousand, Seven Hundred and Fifty only) out of the free reserves of the Company be capitalized and applied towards the issue of ordinary shares of Rs. 10/- each as bonus shares in the ratio of one ordinary share for every ten ordinary shares i.e. 10% held by the members whose names appear on the Members Register on Monday, May 06, 2019. These bonus shares will rank pari passu in all respects with the existing shares but shall not be eligible for the dividend declared for the year ended December 31, 2018.

b) Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange.

c) For the purpose of giving effect to the foregoing, the Company Secretary be and is hereby authorized and empowered to give effect to this resolution and to do or cause to do all acts, deeds and things that may be necessary or required for the issue, allotment, distribution of bonus shares or payment of the sale proceeds of the fractions.

By Order of the Board

Karachi,
Dated: February 19, 2019

FAIZ CHAPRA
Company Secretary and General Counsel

N.B.

(1) **Closure of Share Transfer Books for Dividend Entitlement and for Attending AGM:** The Share Transfer Books of the Company will be closed from Wednesday, April 17, 2019 to Wednesday, April 24, 2019 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, 8-F, Next to Hotel Faran, Block 6, P.E.C.H.S. Shahra-e-Faisal, Karachi, PABX No. (92-21) 34380101-5 and email info.shares@famco.com.pk by the close of business (5:00 p.m) Tuesday, April 16, 2019 will be treated as being in time for the purposes of payment of final cash dividend to the transferees and to attend and vote at the meeting.

(2) **Closure of Share Transfer Books for Bonus Entitlement:** The Share Transfer Books of the Company will be closed from Monday, May 06, 2019 to Monday, May 13, 2019 (both days inclusive). Transfers received in order at the office of our Registrar, M/s. FAMCO Associates (Private) Limited, at the address mentioned hereinabove by the close of business (5:00 p.m) on Friday, May 03, 2019 will be treated as being in time for entitlement of bonus shares.

3) Pursuant to Companies (Postal Ballot) Regulations 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of sections 143 and 144 of the Companies Act 2017, members will be allowed to exercise their right of vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.

4) In accordance with the provisions of section 242 of the Companies Act 2017, a listed Company is required to pay cash dividend only through electronic mode directly in to the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the website of the Company to the share registrar. The CDC account holders must submit their information directly to their broker (participant) / Central Depository Company Limited.

5) In accordance with the directives of the SECP, the dividends of shareholders whose CNIC copies have not been received by the Company shall not be electronically credited until receipt thereof. Therefore, the individual shareholders who have not submitted their CNIC copies are requested to send the same at the earliest to the share registrar of the Company. Corporate entities are requested to provide their NTN. While providing their CNIC/NTN, shareholders must quote their respective folio numbers. The physical shareholders are requested to notify any change in their addresses to the share registrar of the Company and in case of CDC shareholders to their broker (participant).

6) In compliance with section 150 read with Division I of Part III of the First Schedule of the Income Tax Ordinance, 2001 withholding tax on dividend income will be deducted for 'filer' and 'non-filer' shareholders at 15% and 20% respectively. A 'filer' is a taxpayer whose name appears in the Active Taxpayers List (ATL) issued by the FBR from time to time and a 'non-filer' is a person other than a filer. To enable the Company to withhold tax at 15% for filers, all shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted at 20% for non-filers. Withholding tax exemption from the dividend income shall only be allowed if a copy of valid tax exemption certificate is made available to the share registrar of the Company by the first day of book closure.

7) The FBR has clarified that in case of joint account, each holder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each joint holder as may be notified by the shareholder, in writing as follows, to the Company's share registrar, otherwise it will be assumed that the shares are equally held by the joint shareholders:

Company Name	Folio/CDS Account No.	Total Shares	Principal Shareholder	Joint Shareholder (s)
			Name & CNIC No. Shareholding proportion (No. of Shares)	Name & CNIC No. Shareholding proportion (No.of Shares)

8) In pursuance to Circular No. 10 of 2014 dated May 21, 2014, if the Company receives consent from members holding in aggregate ten percent (10%) or more shareholding residing at geographical location, to participate in the meeting through video conference at least seven (7) days prior to the date of the meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city. The Company will intimate members regarding venue of video conference facility at least five (5) days before the meeting along with complete information necessary to enable them to access such facility. In order to avail this facility please provide the following information to our share registrar:

I/We, of being a member of Engro Corporation Limited holder of Ordinary Share(s) as per Register

Folio No.______________ hereby opt for video conference facility at (Please insert name of the City)

____

Signature of member

STATEMENT UNDER SECTION 134 OF COMPANIES ACT 2017.

This Statement is annexed to the Notice of the Fifty-Third Annual General Meeting of Engro Corporation Limited to be held on Wednesday, April 24, 2019 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such Special Business.

ITEM (4) OF THE AGENDA

The current Authorized Share Capital of the Company is Rs. 5,500,000,000/- (Rupees Five Billion Five Hundred Million) divided into 550,000,000 (Five Hundred and Fifty Million) Ordinary Shares of Rs. 10/- each.

In order to cater for increase in paid up share capital including the issuance of bonus shares, the Board of Directors had recommended that the Authorized Capital be increased from Rs. 5,500,000,000 to Rs. 7,000,000,000 by creation of additional 150,000,000 ordinary shares of Rs. 10 each. The proposed increase in the authorized share capital of the Company will also necessitate amendments in clause 5 of Memorandum of Association and Article 5 of the Articles of Association of the Company to reflect increase in authorized share capital of the Company.

For this purpose, a Special Resolution is required to be considered and approved in the forthcoming Annual General Meeting.

The Board confirms that the proposed alterations are in line with the applicable provisions of the law and regulatory framework to the best of their knowledge and belief.

The Directors of the Company have no personal interest in the increase of Authorized Share Capital whether directly or indirectly except to the extent of the shareholding held by them in the Company.

The current and proposed altered provisions of the Memorandum and Articles of Association are as follows:

Current	Proposed
Clause 5 of the Memorandum of Association of the Company "5. The Share Capital of the Company is Rs. 5,500,000,000/- (Rupees five billion and five hundred million) divided into 550,000,000 Ordinary shares of Rs. 10/- (Rupees ten) each.	Clause 5 of the Memorandum of Association of the Company "5. The Share Capital of the Company is Rs. 7,000,000,000/- (Rupees Seven Billion) divided into 700,000,000 Ordinary shares of Rs. 10/- (Rupees ten) each.
Article 5 of the Articles of Association of the Company 5. The share capital of the Company is Rs. 5,500,000,000/- (Rs. Five billion and five hundred million) divided into 550,000,000 Ordinary shares of Rs. 10/- (Rupees ten) each.	Article 5 of the Articles of Association of the Company 5. The share capital of the Company is Rs. 7,000,000,000/- (Rs. Seven Billion) divided into 700,000,000 Ordinary shares of Rs. 10/- (Rupees ten) each.

ITEM (5) OF THE AGENDA

The Board of Directors recommend that the financial position of the Company and its reserves justify the capitalization of free reserves up to Rs. 523,784,750 (Rupees Five Hundred Twenty-Three Million, Seven Hundred Eighty-Four Thousand, Seven Hundred and Fifty only). Therefore, the Directors have recommended the issue of 52,378,475 bonus shares by capitalization of a part of free reserves of the Company in the ratio of one share for every ten shares i.e. @ 10%. After the issue of bonus shares, the total paid up capital of the Company will increase to Rs. 5,761,632,290 divided into 576,163,229 ordinary shares of Rs. 10 each.

The Directors of the Company are interested in the business to the extent of their shareholding in the Company.

The new ordinary shares when issued shall rank pari passu with the existing ordinary shares in all respects.

UPDATE UNDER THE COMPANIES (INVESTMENT IN ASSOCIATED COMPANIES OR ASSOCIATED UNDERTAKINGS) REGULATIONS, 2017:

In the Annual General Meeting held on April 24, 2018, the shareholders of the Company approved to lend/provide to the following associated companies, short term funded and unfunded financing facilities / security of up to the amounts stated below in respect of each. The facility was approved for one year, but renewal of the same for four further periods of one year each was also approved.

- Engro Fertilizers Limited – PKR 9 billion
- Engro Polymer & Chemicals Limited – PKR 6 billion
- Engro Vopak Terminal Limited – PKR 1 billion
- Elengy Terminal Pakistan Limited – PKR 1 billion
- Engro Elengy Terminal Pvt. Limited – PKR 2 billion
- Engro Powergen Qadirpur Limited – PKR 2 billion

During the year, Engro Fertilizers Limited, Engro Polymer & Chemicals Limited, Engro Powergen Qadirpur Limited and Engro Vopak Terminal Limited utilized the above facility. At the year-end, Engro Powergen Qadirpur Limited has utilized the above facility as security to the extent of PKR 150 million.

The above facility is being renewed as earlier approved by the shareholders.

sowing hope

Mushtaq Ahmed
Farmer
Muridke, District Sheikhupura
Punjab

Mushtaq is a beneficiary of Engro Fertilizers' Farmer Connect Program, which enabled him to learn modern farming methods. He applied the techniques and reaped better yields as well as retained his son's interest in his farming legacy.

The Farmer Connect Program has resulted in improvement in knowledge, yield, and profitability. More than 50,000 farmers were trained, and an average of 15% yield and 20% reduction in water usage was achieved.

chairman's message

Dear Shareholders,

On behalf of the Board of Directors, I am humbled to present to you, once again, the Annual Report of Engro Corporation Limited. Enclosed herein is the overall performance of the Company and effectiveness of the Board in providing guidance and direction to the leadership, enabling them to achieve the Company's aims and objectives for the year ended 31st December 2018.

First and foremost, I would like to offer my gratitude to each of you for your continued confidence in Engro Corporation as the trusted choice for your investment. Your trust in us further fuels our passion for Pakistan and enhances our determination, as Engro, to work towards progress and prosperity for the country, especially in the communities and value chains in which we operate. Secondly, I would like to congratulate the entire team of Engro Corporation on achieving incredible milestones in 2018, under the able leadership of Ghias Khan.

This year has been an important one for Engro; we have broadened our spectrum once again. Having demonstrated unwavering resolve over the years to address issues that hinder the country's progress, including the energy crisis and food security concerns, we are committed to solving prevalent issues in Pakistan and exploring new opportunities to create value for all our stakeholders. We also care deeply about environmental impact and safety of people.

At Engro, we encourage a growth mindset, strive to have impeccable character, and live by the highest standards of integrity, thus inspiring trust from others. We endeavour to serve our country, community, and company with humility and strong belief in the dignity and value of all individuals. With this in mind, we identified a severe need for effective leadership development in Pakistan and took this challenge up as another opportunity to give back to the nation. I am pleased to share that our plans to address the situation have come to fruition.

With the mission to hone and develop our leaders of tomorrow, we established the Engro Leadership Academy at the Karachi School of Business & Leadership. Facilitated by globally recognized experts, ensuring a carefully designed curriculum suited to the corporate needs of Pakistan, the Academy was inaugurated by His Excellency Dr. Arif Alvi in December 2018. We are proud to share that the first batch of Engro leadership has experienced the program, and are implementing the teachings in their everyday work.

The Academy focuses uniquely on leadership development. The purpose is to inspire the development of effective leaders who can make decisions on the basis of truth, humility, integrity, competence, and, most importantly, trust. Our focus is on the integrative development of the individual, to develop them as people who can take the reins and lead the way tomorrow.

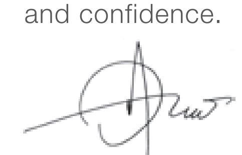
Furthermore, the hallmarks of the type of leaders that the Academy would like to develop revolve around a defined characteristic of leadership with humility, strength of character, resilience, and service to one's community and country. These leaders contribute to a vibrant private sector that serves to create value in people's lives.

On a separate note, I am pleased to share Samad Dawood has assumed the role of Vice Chairman of the Board. The performance of the Board throughout the year remained in line with our endeavour to continuously improve the governance and decision-making in the Company. The contributions of the Board effectively steered the Company towards achieving our objectives, creating new benchmarks, and maintaining its reputation for good governance, while providing steady returns to the shareholders.

The expertise of members of the Board includes competence in robust governance frameworks, leadership and entrepreneurship, private equity, investment banking, strategic deal-making, talent management, communication and advertising, and education. By leveraging the diverse skillsets of the Directors for shared leadership with the management, we aim to create profitable growth for the Company.

The Board Audit Committee strives to ensure that the governance structure is 100% compliant, while monitoring high standards of ethics, control procedures, and risks associated with the business as identified by the Board.

On behalf of the Board, I express our gratitude to you, my fellow shareholders, for your continued support and confidence.



Hussain Dawood
Chairman
Engro Corporation Limited

president's message

Dear Shareholders,

By the grace of God, I am humbled to report that 2018 has been another year of successes for Engro. Our businesses delivered strong performances and displayed operational excellence, yet again, by achieving an optimal level of utilization of assets. It is my pleasure to share with you the highlights of Engro Corporation's performance in 2018 and shed light on all the important work we are undertaking to ensure a sustainable operating model.

Engro Corporation posted a consolidated profit after tax of PKR 23.6 billion for 2018, up from PKR 16.3 billion the previous year. On a standalone basis, our profit-after-tax was PKR 12.7 billion, while the Company posted an earnings per share of PKR 24.28 with total dividends of PKR 21 per share for the year, translating into an overall dividend payout of 86%. In addition to the cash dividend, the Company also announced the issuance of 10% bonus shares.

Our energy investments were first and foremost a commitment to the country and, as we move forward, we continue to explore more opportunities in the renewable and thermal space. The performance of our first power project, Engro Powergen Qadirpur Limited, has been consistent; furthermore, the management has introduced cost optimization initiatives to maximize shareholder returns. A defining moment for 2018 was the unearthing of the first coal seam by Sindh Engro Coal Mining Company Limited in June. With over 97% of the project now completed successfully, the Thar coal project will, God willing, come online as per schedule.

The financial performance of Engro Fertilizers Limited was nothing less than outstanding. The Company posted a historic profit of over PKR 17 Billion, recording a phenomenal growth of 56% versus last year. This was primarily due to higher fertilizer sales volumes and higher urea prices. Engro Fertilizers also announced a final dividend of PKR 3.00 per share in addition to interim dividend already paid at PKR 8.00 per share for the year ended December 31, 2018.

Moreover, I am pleased to report that Engro Eximp Agriproducts also had its first ever profitable year after posting losses since inception. It serves as a reminder that we can overcome challenges with our determination, persistence, and a relentless focus on the bigger picture. Despite the challenges faced by Engro Vopak, the Company exhibited utmost resilience as it increased its LPG market share to 60% from previous of 55%. Whereas Engro Elengy, once again, achieved a world-record milestone of fastest 200 Ship-to-Ship transfers.

For Engro Polymer & Chemicals Limited, a profit after tax of approximately PKR 4.9 Billion was posted in 2018 against a profit after tax of PKR 2 Billion in the previous year. The completion of PVC/VCM de-bottlenecking resulted in the highest ever production of both PVC and VCM, which not only contributed to the profitability of the Company, but also brought it another step closer to meeting domestic demand.

Financial visibility and quick decision-making are crucial for stakeholder confidence, especially for a conglomerate like Engro. We understand that technology is at the center of business change; hence, we partnered with globally recognized technology experts and initiated Project OneSAP this year. Through OneSAP, we will bring platforms together to gain greater efficiencies across our financial systems and create synergies across all Engro entities. We are confident that this is our journey of continuous improvement; we have raised the bar for ourselves, and we will only go higher from here.

While we continue to grow on the business front, we at Engro also focus on the well-being of our people. Year after year, we strive to invest in world class safety systems and have integrated a proactive safe working culture throughout our operating environment. Recognizing that our people make all the difference, we strive to consistently attract, hire, and retain high-quality talent so that, together, we can combine our strengths and skills to build a successful partnership to help sustain our competitive edge. In this vein, we set up the Engro Leadership Academy in 2018 with the vision to develop effective leaders who are well-equipped to transform and steer Engro's businesses and deliver on our promise of solving some of Pakistan's most pressing issues.

A key philosophy at Engro is to create sustainable livelihoods under the ambit of Engro Foundation. To maximize social and economic impact of our developmental initiatives, Engro Foundation has pivoted to an inclusive business model that targets low-income communities where Engro businesses are based. By innovatively providing low-income communities with opportunities for skills development and livelihood, we create an ecosystem of employment, functional markets, products and services that spurs economic growth in targeted underprivileged areas and encourages entrepreneurship.

This year, we received the UN Global Compact Business Sustainability Award, which recognizes the Foundation's efforts, always made in partnership with one of Engro's Group companies, to maximize our economic and social impact. Our focus remains on human development in our value chains, allowing for better lives for those affected by our businesses, and also directly involving them in our successes. For the 7th year, Engro Foundation successfully hosted its flagship event, the I Am the Change Awards, meant to empower organizations that are making meaningful impacts in innovative ways to scale up, become sustainable, and positively impact more Pakistani lives.

The year 2018 was one in which considerable time of the management and Board of Directors was spent on charting out Engro's future. The Board approved "The Central Idea" of the Corporation, which articulates the purpose of the organization through various decision-making frameworks that will enable us to realize our purpose. As an emerging economy with a growing population and lagging human development indicators, Pakistan faces various challenges. At Engro, we consider it our individual and institutional responsibility to address some of these challenges and pressing issues, by creating commercially viable businesses in those areas. Engro will endeavor to play its part in increasing the agricultural productivity of the country, provisioning of energy, building of infrastructure to provide data & information access to the masses, and help build basic industry through projects in the petrochemical vertical. While we will look to change and evolve with agility, what will never change is our fundamental belief that what is good for Pakistan and good for people is good for Engro.

In the end, I would like to thank the Chairman, Vice Chairman, and Board of Directors for their invaluable guidance, our stakeholders for trusting us, and the entire Engro family of employees for their undeniable contribution through sheer hard work and dedication, working every day towards the betterment of our economy and citizens of this country.

Ghias Khan
President & Chief Executive Officer
Engro Corporation Limited

engro corp

brightening futures

Irshad Ali Lakhan
School Teacher
Katcha Area, District Ghotki
Sindh

Irshad studied in Engro Foundation’s Katcha Schools, which provide education to children living in Katcha, District Ghotki. He had the chance to go elsewhere, but instead came back more determined to make a lasting change. Today, after eleven years, Irshad is still teaching at the same school.

The Katcha School Program, over the last 14 years, has grown to 12 primary schools and 2 middle schools. Engro Foundation has established computer labs and carried out teachers’ capacity building in 13 schools. More than 5,000 students have been enrolled in 32 Engro-supported schools in rural and remote Sindh & Punjab.

directors' report

The Board of Directors of Engro Corporation Limited has reviewed the performance of the Company and is pleased to submit its annual report and audited accounts for the year ended December 31, 2018.

Principal Activity

The principal activity of the Company is to manage its investments in subsidiaries, associates, and joint ventures engaged in fertilizer manufacturing and trading, PVC resin manufacturing and marketing, food, power generation, coal mining, LNG and bulk chemical handling terminal and storage businesses.

Business Performance Overview

The macroeconomic environment remained challenged during 2018. Pakistan's growth continues, but macroeconomic imbalances are widening. The balance of payments is under stress due to relatively high current account deficit. Exports continued to grow with a steady increase in workers' remittances, however relatively stronger import growth has resulted in a higher trade deficit. Responding to these challenges, the new Government is exploring avenues to bridge the external financing gap with the policy focus now tilted towards macroeconomic stabilization. Regulatory duties have been imposed and the exchange rate has been adjusted. The policy interest rate was also raised to ease demand pressures.

Against this challenging backdrop, Engro Corporation performed well. The Company's consolidated revenue grew by 33%, from PKR 128,593 million during 2017 to PKR 171,568 million with major contribution from Fertilizers and Petrochemicals businesses due to improved market fundamentals. Strong operational performance of all businesses coupled with one-off tax effects translated into consolidated profit-after-tax (PAT) of PKR 23,632 million as opposed to PKR 16,290 million during 2017 representing an increase of 45%. This includes the Company's share of one-off provision for potential tax liability that its joint venture might have to settle if pending cases are decided against it. PAT attributable to the shareholders of Company increased by 35% from PKR 9,407 million to PKR 12,708 million, resulting in an Earnings per Share (EPS) of PKR 24.26 compared to PKR 17.96 for 2017.

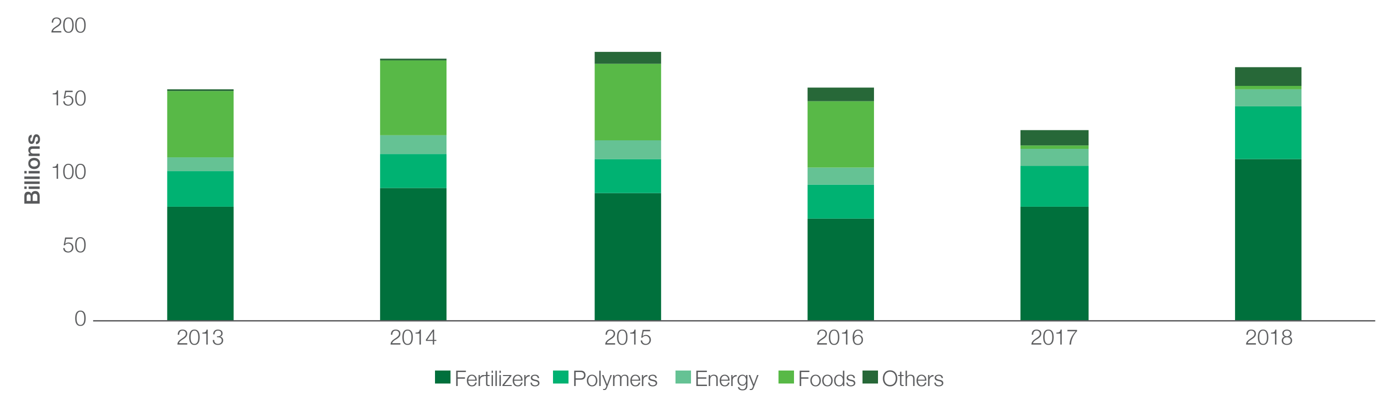
On a standalone basis, the Company posted a PAT of PKR 12,720 million against PKR 11,400 million for the comparative year, translating into an EPS of PKR 24.28 per share. Increase in standalone profitability is primarily on account of one-off capital gain on the divestment of 24% shares in Elengy Terminal Pakistan Ltd to Vopak LNG Holding B.V. (VOPAK).

The Company continues to concentrate on creating long-term sustainable shareholder value by optimizing capital allocation to desired sectors in line with the allocation strategy representing a mix of dividend and growth opportunities. The Company aims to rebalance its investments and diversify its business in line with its long-term strategy.

As part of its strategic portfolio management strategy, the Company subscribed to the right shares issued by Engro Polymer & Chemicals Ltd during July 2018, aggregating to PKR 3 billion. Further, the Company divested 30% of its shareholding in Elengy Terminal Pakistan to VOPAK during December 2018 - shareholding of the Company in Elengy Terminal now stands at 56%.

Segmental Review of Business Performance

Business	Revenue (PKR in Mn)			Profit After Tax (PKR in Mn)		
	2018	2017	Growth	2018	2017	Growth
Fertilizers	109,197	77,129	42%	17,414	11,156	56%
Polymer and chemicals	35,272	27,731	27%	4,930	2,053	140%
Energy	11,955	11,637	3%	1,597	1,713	(7%)
Terminals	15,878	13,679	16%	3,852	4,130	(8%)
Foods	34,977	36,403	(4%)	82	99	(17%)



Segmental Revenue Trend

Revenue
(Rs. in millions)

109,197
2018

engro fertilizers

The fertilizer business witnessed an increase in revenue and profitability over the last year primarily due to higher fertilizer offtake and prices, coupled with one-off tax effects, i.e. reduction in the corporate tax rate from 30% to 25% in a phased manner. The domestic fertilizer industry continues to face challenges in the guise of prior subsidy receivables and long lead time in its disbursements. The business continues to explore opportunities within the agriculture sector in Pakistan to create value for its stakeholders by leveraging its strong position in the agri-space. The business continued to expand its footprint in the Crop Sciences business (seeds and pesticides) and is evaluating other business opportunities to improve farmer productivity.

Revenue
(Rs. in millions)

35,272
2018

engro polymer & chemicals

For the polymer business, 2018 proved to be a year of economic consolidation. The business completed debottlenecking of PVC and VCM while maintaining smooth plant operations, achieved strong operational performance, maintained market share, and completed the initial ground work for expansion projects while developing a strong balance sheet, thus enabling it to capitalize on opportunities. The business achieved record PVC production, witnessed a 27% increase in revenue, and posted a PAT of PKR 4,930 million.

Revenue
(Rs. in millions)

11,955
2018

engro energy

Within our energy sector assets, the development of the Thar Coal Mine continues at full pace and remains on schedule. During June 2018, coal from the first seam of the open-pit mine was extracted from a depth of 140 meters below the surface. On the Thar Power Generation Plant front, the project development continues at a steady pace. During the year, the powerplant was successfully connected with the national grid for the purpose of receiving back-feed required for plant start-up. In partnership with the Government, both projects are expected to remain on track for completion by mid-2019 to help resolve the energy demand in the country. The Qadirpur Power Plant continued to demonstrate a billable availability factor of 100%. Due to natural field depletion of permeate gas, net electrical output to the national grid was lower as compared to last year, resulting in lower earnings. Circular debt has been a persistent problem in the domestic energy sector and, despite improvement of fuel mix for power generation, the issue remains urgent.

Revenue
(Rs. in millions)

3,277

2018

engro vopak

Engro Vopak Terminal witnessed a volumetric decrease of 11% for chemicals and LPG handled over last year, which is mainly attributable to lower LPG imports due to availability of locally produced LPG and imports through the road network. The business completed 21 years of safe operations without lost work injury and continued to maintain health, safety and quality standards.

Revenue
(Rs. in millions)

12,601

2018

engro elengy terminal

Elengy Terminal handled 74 cargoes during the year as compared to 70 cargoes during 2017. It delivered 223.8 bcf re-gasified LNG into the SSGC network. The availability factor remained at 97.3% for the year.

Revenue
(Rs. in millions)

32,439
2018

engro foods

The dairy business profitability decreased from last year owing to continuous regulatory challenges arising primarily due to misalignment between federal and provincial food laws, faced by the entire dairy sector. These issues created an incorrect negative perception in the minds of consumers and, as a result, the dairy industry witnessed a decline in overall volumes compared to the previous year. The sharp increase in commodity costs, along with Rupee devaluation and, as rising interest rates, have also put pressure on overall industry profitability.

Revenue
(Rs. in millions)

2,538
2018

engro eximp agriproducts

An increased focus on the rice business, followed by business restructuring, fixed costs rationalization, improvement in operational efficiencies, and reducing commodity price risk exposure, resulted in significantly curtailing the losses and the business posting an operational PAT for the first time in its history. Rice exports also witnessed a volumetric increase of 52% over 2017.

Credit Ratings and Gearing

During 2018, Pakistan Credit Rating Agency upgraded the long-term credit ratings of the Company and its subsidiaries while maintaining their highest short-term ratings in its annual review.

Company	Long-term rating	Short-term rating
Engro Corporation Limited	AA+	A1+
Engro Fertilizers Limited	AA	A1+
Engro Polymer and Chemicals Limited	AA-	A1+
Engro Powergen Thar (Private) Limited	A	A1
Engro Elengy Terminal (Private) Limited	A+	A1
Engro Eximp Agriproducts (Private) Limited	A-	A2

These credit ratings reflect the entities' financial and management strength as well as favorable credit standing and are a testament to our strong balance sheet and robust performance with consistent dividend payouts.

Consolidated long-term borrowings at year end increased to PKR 131,426 million from PKR 90,743 million at 2017 yearend, primarily due to drawdowns for Thar coal power project. The gearing for the year ended 2018 is 39.5% vs. 31.4% as at 2017 yearend representing a healthy balance sheet which allows the Company to increase leverage for future growth opportunities.

Distribution to Shareholders

The Board endeavors to maximize dividends on a quarterly basis and is pleased to propose a final cash dividend of PKR 2.00 per share for the year ended December 31, 2018. The total dividend attributable for the year is therefore PKR 21.00 per share including the total interim cash dividends of PKR 19.00 per share during the year. In addition, given the positive financial performance of the Company, the Board is pleased to propose a 10% Bonus share issue.

Strategic Direction

As an emerging economy with a growing population and lagging human development indicators, Pakistan faces various global challenges. In order to determine what is the best way that Engro can spend its resources to potentially address some of those challenges, certain pressing concerns for the country have been identified, which are as follows:

1. Agricultural Output
2. Energy and related Infrastructure
3. Connectivity and Telecoms
4. Petrochemicals

It is our belief that these pressing concerns are those which Engro can potentially work on to continue to create meaningful impact. Opportunities in these areas will continue to be sought for future investment.

Future Business Performance

We are hopeful that strong conviction on part of government to reform the economy will translate into tangible actions and result in improvement in the overall economic sentiment. It is pertinent to highlight that if domestic players are provided conducive environment, they can contribute towards the current account challenges by means of import substitution and eventually developing an export base.

Engro is looking forward to developing its growth pillars and explore new avenues of growth to create long-term shareholder value. To realize this growth strategy, the Company has invested in human resource, technical and financial fronts.

Fertilizers

International urea demand in 2019 is expected to grow marginally by 1.7% while supply is expected to trend moderately higher with new capacities entering the global market. International urea prices are expected to remain soft at current levels on the back of North America and India slightly reducing their reliance on imports. This is likely to put pressure on suppliers to find other markets for their product. Local urea demand for 2019 is expected to remain stable at current levels. Production for 2019 is expected to be 5.6 M tons (excluding LNG fed plants). The delta between demand and supply will either be met by imports or operation of LNG based plants.

International DAP prices are expected to remain at relatively the same level in 2019. Local demand, however, is expected to decline slightly due to rising DAP prices post rupee devaluation.

Polymer and Chemicals

The Polymer business is well positioned to capitalize on the promising potential available to it. Post expansion, the business will not only be able to fulfil the growing domestic demand of PVC but will also earn foreign exchange by means of exports. Alongside the on-going projects, the business is confident to display continued strong operational performance and is hopeful that the per capita PVC consumption will maintain its upward trajectory considering the overall dynamics of the economy and the Government's intention to improve housing infrastructure in the country. In addition, a number of projects and studies have been initiated to explore opportunities in allied chemicals.

Energy

Although the gas supply from the Qadirpur gas field has started to deplete, the Qadirpur power plant is protected from the effects of gas depletion as its agreements allow it to comingle fuel with some contractual protection for additional costs.

With new power projects coming online and increasing international oil prices, circular debt is expected to remain a challenge for the government and the energy sector in the future unless concrete policy measures are taken to address the underlying causes.

The Energy business continues to seek new opportunities in partnership with international players to utilize Engro's unique engineering and project management skillset. In partnership with the government, the Thar mining and power projects are expected to remain on track for completion by mid-2019 to help resolve the energy crisis in the country. Further, the business continues to work extensively to gain foothold in the renewables market and has been awarded the development rights for 500 MW wind power projects in Balochistan.

Terminal Services

The LNG terminal is positively playing its role in alleviating some of the energy shortage faced by the country. Keeping in view the demand for energy in the market, the business expects a stable outlook for 2019 and leveraging on our partner VOPAK's expertise, shall continue to explore new opportunities to increase shareholder value.

Overall the chemical industry has been stable, and Engro Vopak has retained its status as the market leader. The Engro Vopak terminal business expects to perform well and maintain its operations and profitability in a stable fashion due to its unique and leading position. The business will continue to explore new opportunities in LPG and other chemical products.

Foods

Engro Foods will continue to work with the regulatory authorities through relevant business platforms to harmonize the federal and provincial food laws. The business will also continue its efforts in supporting the authorities to draft legislation on minimum pasteurization and rationalization of tax laws to create an even playing field for the processed dairy sector. Leveraging on our partner FrieslandCampina's expertise, the business will continue its innovation journey to provide affordable, value-added, trustworthy, healthy and safe choices of dairy products. Driving conversion from loose milk will remain a key thrust to fuel growth, for which the business will continue to invest in strengthening its brand equity to remain as the preferred choice for consumers' dairy needs.

The Rice business will continue its focus on improving operational efficiencies and margins, cost minimization and increasing export sales thus creating shareholder value.

Digital

Engro Corporation continues to seek new opportunities in partnership with international players. Under the Engro Digital banner we are analyzing potential opportunities for making available digital and technology services and products inside and outside Pakistan. Engro Digital and GE have formed a strategic alliance bringing together Engro's deep vertical domain knowledge in multiple industries with GE's world class applications platform. Further, Buckman Laboratories International Inc. has also entered into a strategic alliance with Engro Digital to deliver process and reliability optimization to utilities and industries.

Risk Management

Engro Corporation and its subsidiaries use the Lean Enterprise Risk Management framework in assessing and managing risk. It is our policy to view risk management as integral to the creation, protection and enhancement of shareholder value by managing the significant uncertainties and risks that could possibly influence the achievement of our corporate goals and objectives. Each subsidiary assesses the probability and impact of risk that the entity is exposed to and assigns responsibilities to manage those risks throughout the organization. The intent is to manage and mitigate risks in a structured and formalized manner. Under the framework all subsidiaries are required to develop policies and SOPs along with periodic review and reporting of risks and mitigation strategies. The Board of each subsidiary reviews the key risks and mitigation identified as a result of the above framework.

Engro Corporation has identified the following significant risks and mitigation strategies:

Liquidity risk: The purpose of our treasury policies is to ensure availability of sufficient funds to meet contractual commitments and requirements for potential portfolio growth. We mitigate liquidity risk through internal cash generation and committed facilities with financial institutions.

Interest rate risk: Our borrowings and investment of surplus funds exposes us to interest rate risk. We mitigate this risk by regularly monitoring interest rates for adverse movements and investing surplus funds in short-term instruments.

Credit risk: Careful selection of strong financial institutions with a high credit rating helps us mitigate this risk.

Foreign exchange risk: Our investment portfolio exposes us to foreign exchange risk. By viewing the portfolio as a whole, we ensure that adequate natural hedges exist as far as possible.

Economic and regulatory risk: Continuous and pro-active efforts and dialogue with policy makers helps our businesses to respond to the challenges posed by economic conditions and regulatory challenges.

Board of Directors

The Board of Directors reviews all significant matters of the Company. These include Company's strategic direction, annual business plans and targets, decision on long-term investment and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.

The Board of Directors was elected on 24 April 2018. The Board comprises of 10 directors including the Chief Executive and has a diverse mix of gender, knowledge and expertise to enhance its effectiveness. The Board consists of 1 female director and 9 male directors, categorized as follows:

- 1 Executive Director
- 6 Independent Directors
- 3 Non-Executive Directors

Following are the names of persons who at any time during 2018 were directors of the Company:

1. Mr. Hussain Dawood
2. Mr. Ghias Khan
3. Mr. Abdul Samad Dawood
4. Mr. Shahzada Dawood
5. Mr. Muhammad Abdul Aleem
6. Mr. Waqar Malik
7. Ms. Henna Inam
8. Mr. Muneer Kamal *
9. Mr. Inam Ur Rahman *
10. Mr. Imran Sayeed *
11. Mr. Rizwan Diwan **
12. Mr. Raihan Merchant **
13. Mr. Khawaja Iqbal Hasan **

* Retired on completion of tenure on 24 April 2018
** Elected as Director with effect from 24 April 2018

In 2018, the Board held 8 meetings to cover its complete cycle of activities. The Board has established three committees to assist it in carrying out its fiduciary duties. These committees along with their membership details are as follows:

Board Investment Committee	Board Audit Committee	Board People's Committee
9 meetings held in 2018	6 meetings held in 2018	10 meetings held in 2018
Mr. Abdul Samad Dawood	Mr. Muhammad Abdul Aleem	Ms. Henna Inam
Mr. Waqar Malik	Mr. Waqar Malik	Mr. Abdul Samad Dawood
Mr. Rizwan Diwan	Mr. Rizwan Diwan	Mr. Raihan Merchant
Mr. Khawaja Iqbal Hasan	Mr. Raihan Merchant	Mr. Khawaja Iqbal Hasan

Statement of Directors' Responsibilities

The directors confirm compliance with Corporate and Financial Reporting Framework of the SECP Code of Governance for the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.

- Appropriate accounting policies have been consistently applied in preparation of the financial statements except for changes resulting on initial application of standards and amendments or interpretations to existing standards. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and any departures therefrom have been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no material departure from the best practices of corporate governance.

Remuneration Policy for Non-Executive and Independent Directors

The Board of Directors has approved a 'Remuneration Policy for Non-Executive and Independent Directors', salient features of which are:

- The remuneration shall be appropriate and commensurate with the level of responsibility and expertise of the directors, aimed at attracting and retaining the directors needed to govern the Company successfully and to encourage value addition. The remuneration shall not compromise nor influence in any way the independence of the directors.
- The Board, if deems appropriate, may engage independent consultant to determine the appropriate level of remuneration of its directors.
- No remuneration shall be paid to Executive Director and any Non-Executive Directors who are employees in other Engro entities, for attending meetings of the Board and its committees.
- Any travel and other necessary expenses incurred by the directors for attending meetings of the Board and its committees shall be reimbursed at actual.

Adequacy of Internal Financial Controls

The Board of Directors is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. The Board, whilst maintaining its overall responsibility, has delegated the detailed design and operation of the system of internal controls to the Chief Executive. Engro's system of internal controls comprises of clear governance structures, authority limits and accountabilities, well understood policies and procedures and budgeting processes. The Board meets quarterly to consider Engro's financial performance, financial and operating budgets, business growth and developmental plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

Auditors

The existing auditors, A.F. Ferguson & Co., Chartered Accountants retire and being eligible, have offered themselves for re-appointment. The Board Audit Committee recommends their appointment as auditors for the year ending December 31, 2019.

Social Capital

At Engro we believe in sustainability of impact created through value chains. To achieve this, we maintain a close relationship with stakeholders, understand their needs, co-design programs with them and work through partnerships. This mutually beneficial approach provides us opportunity to stay relevant to societal needs and be impactful.

Our social investment programs are managed by Engro Foundation – the single CSR front for all Engro companies. Contributions from Engro and its subsidiaries are invested by Engro Foundation in community investments and value chains projects working towards long term human capital development through skills enhancement and education. We recognize our responsibility in conserving natural environment and therefore we are working to improve forest cover, conserve mangroves and coastal ecosystems, and promote environmentally friendly practices in community livelihoods.

Details of our efforts on sustainability are covered in our Integrated Report issued every year.

Human Capital

The development of Human Capital is a top priority. Towards this end, Engro Corporation has established the Engro Leadership Academy with the purpose of developing current and future leaders and improving organizational and talent management. This multi-year transformation program will offer a blended learning experience and the Engro Leadership Academy is poised to become an integral part of the people transformation journey at Engro.

Health, Safety and Environment (HSE)

HSE remains one of our Core Values. We are particularly attentive to the health and safety of our employees and to preventing occupational injuries. At Engro, we believe in leading by example and that is why we undertake strategic investments that incorporate a strong consideration for the safety of our people. HSE considerations are integrated into our daily activities and decisions. All efforts are being made to enhance safety standards and processes in order to minimize safety risks in all our businesses. We continue to broaden the impact of our safety programs, including those from DuPont (a global benchmark), to establish a strong safety culture based on inculcating safe behavior among our employees, contractors and their employees. Contractors working at our locations are required to comply with our HSE requirements.

We believe that working sustainably and pursuing sustainable growth are a winning strategy for organizations. We are committed to minimizing the environmental impact of our operations through adoption of sustainable practices and continuous improvement in environmental performance. A detailed report on HSE performance and development is available in the Integrated Report available on the Company's website.

Pattern of Shareholding

Major shareholders of Engro Corporation are The Dawood Group including Dawood Hercules Corporation Limited. Other shareholders include local and foreign institutions and the general public.

A statement of the general pattern of shareholding along with pattern of shareholding of certain classes of shareholders whose disclosure is required under the reporting framework and the statement of purchase and sale of shares by Directors, executives and their spouses including minor children during 2018 is shown in the shareholding section of this report.

Material Changes due to Subsequent Events

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report.

Acknowledgment

The Directors would like to express their deep appreciation to our shareholders who have always shown their confidence in the Company. We would also like to place on record our sincere appreciation for the commitment, dedication and innovative thinking put in by each member of the Engro family and are confident that they will continue to do so in the future.

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

six years summary

		2018	2017	2016	2015	2014	2013
		(Rupees in million)					
Key Figures							
Shareholders' Funds / Equity		185,587	171,074	169,091	85,673	68,025	55,683
Long-term Borrowings		131,426	90,743	73,118	59,583	73,325	93,076
Capital Employed		317,014	261,818	242,209	145,255	141,350	148,758
Property, Plant & Equipment		204,409	157,355	131,408	128,404	134,507	131,969
Net Current Assets / Working Capital		84,908	76,087	74,654	16,411	7,362	19,546
Revenue		171,568	128,593	157,208	181,652	175,958	155,360
Gross Profit		51,108	34,806	35,843	45,429	36,217	40,597
EBITDA		49,378	40,066	97,350	43,750	32,306	37,030
Profit After Tax		23,632	16,290	73,598	17,268	7,801	8,325
Net Cash Flow from Operating Activities		28,940	21,120	4,070	5,966	29,160	31,506
Net Cash Flow from Investing Activities		(11,081)	(9,008)	(17,019)	25,102	(29,317)	(7,367)
Net Cash Flow from Financing Activities		14,213	3,186	30,192	(28,300)	(13,269)	(7,557)
Key Ratios							
Profitability Ratios:							
Gross Profit Ratio		30%	27%	23%	25%	21%	26%
Net Profit to Sales		14%	13%	47%	10%	4%	5%
Return on Equity		9%	7%	68%	22%	13%	18%
Return on Capital Employed		10%	8%	40%	17%	13%	16%
Liquidity Ratios:							
Current Ratio		2.26	2.49	2.92	1.39	1.11	1.39
Quick / Acid Test Ratio		2.00	2.23	2.64	1.06	0.94	0.98
Investment /Market Ratios:							
Earnings per Share		24.26	17.96	131.94	26.32	13.59	15.29
Price Earnings Ratio		12.00	15.30	2.40	10.62	16.30	10.36
Dividend Yield Ratio		8%	7%	9%	8%	4%	6%
Dividend Payout Ratio		87%	117%	18%	68%	44%	56%
Dividend Cover Ratio		1.16	0.86	5.50	1.46	2.27	1.79
Capital Structure Ratios:							
Financial Leverage Ratio		0.74	0.59	0.47	0.77	1.25	1.79
Weighted Average Cost of Debt		5%	6%	8%	11%	13%	15%
Debt to Equity Ratio		0.71	0.53	0.43	0.70	1.08	1.67
Interest Cover Ratio		7.68	6.34	14.57	4.06	1.89	1.81
Summary of Actual Production Units							
Urea	Metric Tons	1,928,080	1,806,977	1,881,016	1,964,034	1,818,937	1,561,575
NPK	Metric Tons	132,790	109,059	94,610	126,074	117,193	92,839
PVC Resin	Metric Tons	202,000	187,000	172,000	162,000	153,000	146,000
EDC	Metric Tons	107,000	107,000	106,000	100,000	118,000	117,000
Caustic Soda	Metric Tons	105,000	105,000	103,000	98,000	114,000	115,000
VCM	Metric Tons	195,000	180,000	174,000	162,000	168,000	170,000
Power	Mega Watt Hours	1,526,309	1,737,394	1,264,667	1,424,015	1,721,959	1,333,664
Dairy and Juices	Thousand Liters	281,903	320,344	482,958	552,532	472,735	422,818
Drying Unit of Rice Processing Plant	Metric Tons	77,008	59,371	28,474	45,982	166,801	196,478
Ice Cream	Thousand Liters	18,254	17,467	19,518	19,364	16,726	14,500

investor relations

Financial Calender

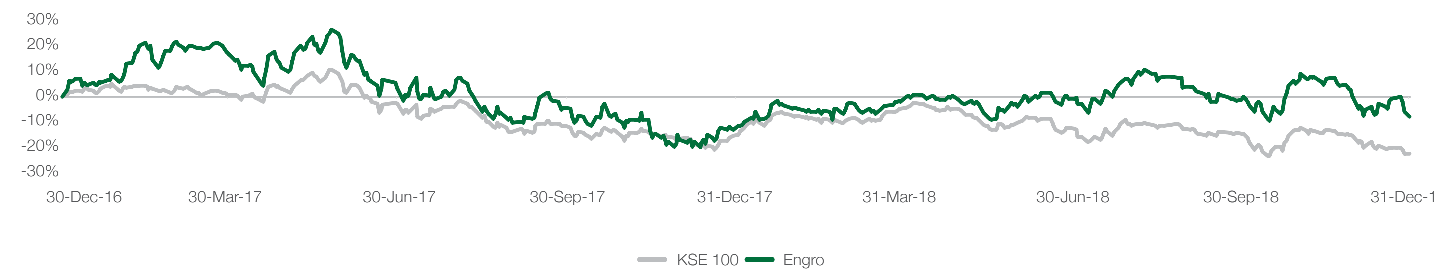
Financial Year Ended 31 December 2018	
23 April 2018	Announcement of first quarter results
16 August 2018	Announcement of second quarter results
19 October 2018	Announcement of third quarter results
20 February 2019	Announcement of fourth quarter results
24 April 2018	52nd Annual General Meeting

Financial Year Ended 31 December 2019[1]	
25 April 2019	Announcement of first quarter results
20 August 2019	Announcement of second quarter results
21 October 2019	Announcement of third quarter results
19 February 2020	Announcement of fourth quarter results

Trading Performance During the Financial Period[2]	2018	2017
Opening price	274.75	318.00
Closing price	291.08	274.75
Highest closing price	350.22	399.16
Lowest closing price	280.3	253.43
Average daily volume traded (million shares)	0.823	1.56

Total Shareholder Return[3]	
1-year period from 1 January 2018 to 31 December 2018	24.2%
3-year period from 1 January 2016 to 31 December 2018	38.2%
5-year period from 1 January 2014 to 31 December 2018	159.0%

Closing shares Price Performance for Trading Period from 1 January 2017 to 31 December 2018



Shareholders' Enquiries

If you have any enquiries or would like to find out more about Engro Corporation, please contact:
Investor Relations Enquiry: investor.relations@engro.com
Website: https://www.engro.com

1. Tentative dates that are subject to change
2. Source: psx.com.pk
3. Total returns are computed based on the closing unit price on the last trading day of the preceding reporting period compared with the closing unit price on the last trading day of the current period.

statement of value addition and distribution

(Rs. in millions)	2018		2017	
	Rs.	%	Rs.	%
Wealth Generated				
Total revenue inclusive of sales tax and other income	193,216		52,040	
Bought-in-material and services	(114,587)		(84,372)	
	78,629		67,668	
Wealth Distributed				
To Employees				
Salaries, benefits and other costs	7,097	9.0%	6,743	10.0%
To Government				
Taxes, duties and development surcharge	34,512	43.9%	31,639	46.8%
To Society				
Donation towards education, health, environment and natural disaster	308	0.4%	202	0.3%
To Providers of Capital				
Dividend to shareholders	18,843	24.0%	17,847	26.4%
Mark-up/interest expense on borrowed money	5,453	6.9%	5,131	7.6%
Retained for reinvestment and future growth				
Depreciation, amortization and retained profit	12,415	15.8%	6,107	9.0%
	78,629		67,668	

governance control framework

Internal Control Framework

Responsibility

The Board is ultimately responsible for Engro's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.
The Board, whilst maintaining its overall responsibility for managing risk within the Company, has delegated the detailed design and operation of the system of internal controls to the Chief Executive.

Framework

The Company maintains an established risk based control framework comprising clear structures, authority limits, and accountabilities, well understood policies and procedures and budgeting for review processes. All policies and control procedures are documented. The Board establishes corporate strategy and the Company's business objectives. Divisional management integrates these objectives into divisional business strategies with supporting financial objectives.

Review

The Board meets quarterly to consider Engro's financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. The Board Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls.

There is a companywide policy governing appraisal and approval of investment expenditure and asset disposals. Post completion reviews are performed on all material investment expenditure.

Audit

Engro has an Internal Audit function. The Board Audit Committee annually reviews the appropriateness of resources and authority of this function. The Head of Internal Audit functionally reports to the Audit Committee. The Board Audit Committee approves the audit program, based on an annual risk assessment of the operating areas. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and reports on findings to the Board Audit Committee, Chief Executive and the divisional management.

Directors

As at December 31, 2018, the Board comprises of one executive director, six independent directors and three non-executive directors. The Board has the collective responsibility for ensuring that the affairs of Engro are managed competently and with integrity.

A non-executive Director, Mr Hussain Dawood, Chairs the Board and the Chief Executive Officer is Mr. Ghias Khan. Biographical details of the Directors have been provided in the previous section.

A Board of Directors' meeting calendar is issued annually which schedules the meetings of the Board and the Board Audit Committee. The full Board met 8 times including meetings for longer term planning, giving consideration both to the opportunities and risks of future strategy.

All Board members are given appropriate documentation in advance of each Board meeting. This normally includes a detailed analysis on businesses and full papers on matters where the Board will be required to make a decision or give its approval.

statement of compliance with listed companies (code of corporate governance) regulations, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are ten as per the following:
   a. Male: 9
   b. Female: 1

2. Composition of the Board is as follows:

Category	Name
a. Independent Directors	Muhammad Abdul Aleem Waqar Malik Henna Inam Khawaja Iqbal Hassan Rizwan Diwan Raihan Merchant
b. Executive Director	Ghias Khan
c. Non-Executive Directors	Hussain Dawood Abdul Samad Dawood Shahzada Dawood

3. The Directors have confirmed that none of them is serving as a Director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.

8. The remuneration of the Directors is duly approved by the Board of Directors.

9. The Board has arranged Directors' Training program for Mr. Raihan Merchant during the year. Six directors have already completed this program in previous years, the remaining three directors have to attend the training.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:
    a. Board Audit Committee:
       Muhammad Abdul Aleem - Chairman
       Raihan Merchant - Member
       Waqar Malik - Member
       Rizwan Diwan - Member

    b. The Board People's Committee i.e. HR and Remuneration Committee:
       Henna Inam - Chairperson
       Raihan Merchant - Member
       Khawaja Iqbal Hassan - Member
       Abdul Samad Dawood - Member

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance.

14. The frequency of meetings of the Committees were as per following:
    a. Board Audit Committee - Quarterly
    b. Board People's Committee - Held 10 meetings

15. The Board has set up an effective internal audit function who are suitably qualified and experienced personnel for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

independent auditor's review report

To the members of Engro Corporation Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Engro Corporation Limited for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended December 31, 2018.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 22, 2019

Engagement Partner: Waqas A. Sheikh

statement of compliance with the public offering regulations, 2017

This statement is being presented to comply with the requirements under Public Offering Regulations 2017 issued by the Securities and Exchange Commission of Pakistan. This Statement of Compliance (the Statement) is for the year ended December 31, 2018.

Engro Corporation Limited (the Company) entered into an arrangement for issue of Sukuk-2 amounting to Rs. 1,000 Million respectively, on July 10, 2014 for a period of 5 years. We state that the Company is in compliance with the Sukuk features and Shariah requirements in accordance with Public Offering Regulations, 2017.

We specifically confirm that:

- The Company has established policies and procedures for all Sukuk related transactions to comply with Sukuk features and Shariah requirements;

- The Company has implemented and maintained such internal control and risk management systems that are necessary to mitigate the risk of non-compliances of the Sukuk features and Shariah requirements, whether due to fraud or error;

- The Company has a process to ensure that the management and where appropriate those charged with governance, and personnel responsible to ensure the Company's compliance with the Sukuk related features and Shariah requirements are properly trained and systems are properly updated.

The Sukuk features and Shariah requirements in accordance with Public Offering Regulations, 2017 comprises of the following:

a) Requirements of Shariah Structure and Transaction Documents as stated in the Prospectus, with respect to issuance of Sukuk-2:

a. Declaration of Trust
b. Musharaka Agreements
c. Master Murabaha Facility Agreements
d. Payment Agreements
e. Purchase Undertaking
f. Asset Purchase Agreement
g. Deed of Floating Charges
h. Murabaha Agency Agreement
i. Agency Agreement

b) Guidelines of the relevant Shariah Standards, issued by the Accounting and Auditing Organization of the Islamic Financial Institutions (AAOIFI), as notified by the Securities and Exchange Commission of Pakistan (the SECP);

c) Requirements of the relevant Islamic Financial Accounting Standard as notified by the SECP; and

d) Other compliances specified in the Public Offering Regulations 2017 issued by the Securities and Exchange Commission of Pakistan.

Hussain Dawood
Chairman

Ghias Khan
President and Chief Executive

independent assurance report to the board of directors on the statement of compliance with public offering regulations, 2017

Scope of our work

We have performed an independent assurance engagement of Engro Corporation Limited (the Company) to express an opinion on the annexed Statement of Compliance (the Statement) with the requirements of Public Offering Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan as of December 31, 2018.

Applicable Criteria

The criteria for the assurance engagement against which the underlying subject matter (Statement of Compliance for the year ended December 31, 2018) is assessed comprises of compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Public Offering Regulations, 2017. Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Rule 13 of Chapter VII of the Public Offering Regulations, 2017 as notified by the Securities and Exchange Commission of Pakistan.

Responsibility of Company's Management

The responsibility for the preparation and fair presentation of the Statement (the subject matter information) and for compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Public Offering Regulations, 2017 is that of the management of the Company. The management is also responsible for the design, implementation and maintenance of appropriate internal control procedures with respect to such compliance and maintenance of relevant documentation/records. The management is also responsible to ensure that the personnel involved are conversant with the Criteria for the purpose of the Company's compliance.

Our Independence and Quality Control

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, And Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of Independent Assurance Provider

Our responsibility is to express our conclusion on the Statement for the year ended December 31, 2018 based on our independent assurance engagement, performed in accordance with the International Standard on Assurance Engagements 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' (ISAE 3000). This standard requires that we plan and perform the engagement to obtain reasonable assurance about whether the annexed Statement reflects the status of the Company's compliance with the features and Shariah requirements of Sukuk in accordance with the requirements of Public Offering Regulations, 2017 and is free from material misstatement.

The procedures selected by us for the engagement depend on our judgment, including an assessment of the risks of material non-compliances with the Criteria. In making those risk assessments; we have considered internal controls relevant to the Company's compliance with the Criteria in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Company was not materially non-compliant with the Criteria. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Our procedures applied to the selected data primarily comprised of:

- Inquiry and evaluation of the systems, procedures and practices in place with respect to the Company's compliance with the Criteria;
- Verification of Sukuk related transactions on sample basis to ensure the Company's compliance with the Criteria during the year;
- Review of Shariah structure and transaction documents, term sheet and Shariah approval letter issued by the Shariah Advisor of the Sukuk; and
- Review of the annexed Statement based on our procedures performed and conclusion reached.

We believe that the evidences we have obtained through performing our aforementioned procedures were sufficient and appropriate to provide a basis for our opinion.

Conclusion

Based on our independent assurance engagement, in our opinion, the annexed Statement for the year ended December 31, 2018 has been prepared, in all material respects, in compliance with the features and Shariah requirements of Sukuk in accordance with Public Offering Regulations, 2017.

Chartered Accountants
Karachi
Date: March 22, 2019
Engagement Partner: Waqas A. Sheikh

breaking barriers

Lata Bheel
Dump Truck Driver
Thar

Lata was trained under the Female Dumper Drivers Program introduced by Sindh Engro Coal Mining Company in Thar. She was trained to become a perfect heavy dump truck driver. It was a good opportunity for Lata to use her skills and make a living out of it, leading the way for other Thari women. With the aim to train women to become skilled human resources in Thar, 26 Thari women have so far been empowered as dump truck drivers.

key shareholding & shares traded

Information of shareholding required under the reporting framework is as follows:

1. Associated Companies, Undertakings and Related Parties

Name of Shareholders	No. of Shares Held
DAWOOD FOUNDATION	10,600
DAWOOD CORPORATION (PVT.) LTD.	3,123,900
PATEK (PVT.) LTD.	32,690,786
DAWOOD HERCULES CORPORATION LIMITED	194,972,555

2. Directors, Chief Executive Officer and their spouse(s) and minor children

Name of Shareholders	No. of Shares Held
Hussain Dawood	3,619,347
Mrs. Kulsum Dawood W/o Hussain Dawood	2,783,838
Shahzada Dawood	2,247,910
Abdul Samad Dawood	66,310
Mohammad Abdul Aleem	64,384
Mrs. Humera Aleem w/o Mohammad Abdul Aleem	14,150
Raihan Merchant	5000
Ghias Khan	2,500
Khawaja Iqbal Hassan	130
Rizwan Diwan	100
Ms. Henna Inam	100
Mrs. Ayesha Dawood w/o Abdul Samad Dawood	40
Waqar Ahmed Malik	1
TOTAL	8,803,810

3. Executives 43,922

4. Public sector companies and corporations 31,946,659

5. Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds 30,879,057

6. Mutual Funds

Name of Mutual Fund	No. of Shares Held
CDC - TRUSTEE ABL INCOME FUND - MT	8,900
CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	16,400
CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	16,600
CDC - TRUSTEE ABL STOCK FUND	1,058,600
CDC - TRUSTEE AKD INDEX TRACKER FUND	66,574
CDC - TRUSTEE AKD OPPORTUNITY FUND	65,000
CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	2,467,565
CDC - TRUSTEE AL MEEZAN MUTUAL FUND	1,889,900
CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	606,700
CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	2,141,535

Name of Mutual Fund	No. of Shares Held
CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	32,600
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	302,800
CDC - TRUSTEE ALFALAH GHP INCOME FUND - MT	3,000
CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	308,681
CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	1,105,219
CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	32,700
CDC - TRUSTEE ALFALAH GHP STOCK FUND	467,900
CDC - TRUSTEE ALFALAH GHP VALUE FUND	197,300
CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	370,800
CDC - TRUSTEE APF-EQUITY SUB FUND	75,000
CDC - TRUSTEE APIF - EQUITY SUB FUND	121,000
CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	10,500
CDC - TRUSTEE ASKARI EQUITY FUND	10,500
CDC - TRUSTEE ATLAS INCOME FUND - MT	131,200
CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	529,000
CDC - TRUSTEE ATLAS STOCK MARKET FUND	1,142,000
CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	12,500
CDC - TRUSTEE FAYSAL ISLAMIC ASSET ALLOCATION FUND	61,000
CDC - TRUSTEE FAYSAL MTS FUND - MT	18,800
CDC - TRUSTEE FAYSAL STOCK FUND	31,000
CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	28,000
CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	7,000
CDC - TRUSTEE FIRST HABIB STOCK FUND	23,000
CDC - TRUSTEE HBL - STOCK FUND	959,100
CDC - TRUSTEE HBL EQUITY FUND	62,900
CDC - TRUSTEE HBL IPF EQUITY SUB FUND	59,700
CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	207,500
CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	169,300
CDC - TRUSTEE HBL MULTI - ASSET FUND	43,900
CDC - TRUSTEE HBL PF EQUITY SUB FUND	55,600
CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	613,800
CDC - TRUSTEE JS ISLAMIC FUND	121,000
CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	36,000
CDC - TRUSTEE JS LARGE CAP. FUND	106,000
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	30,400
CDC - TRUSTEE KSE MEEZAN INDEX FUND	587,719
CDC - TRUSTEE LAKSON EQUITY FUND	655,568
CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	34,140
CDC - TRUSTEE LAKSON TACTICAL FUND	129,787
CDC - TRUSTEE MCB DCF INCOME FUND	14,500
CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	246,200
CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	1,160,300
CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	632,000
CDC - TRUSTEE MEEZAN BALANCED FUND	1,193,300
CDC - TRUSTEE MEEZAN ISLAMIC FUND	8,906,567
CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	1,534,200
CDC - TRUSTEE NAFA INCOME FUND - MT	70,700
CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	20,600
CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	392,000
CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND	1,248,900
CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	7,600
CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	1,292,600
CDC - TRUSTEE NAFA MULTI ASSET FUND	133,417

Name of Mutual Fund	No. of Shares Held
CDC - TRUSTEE NAFA STOCK FUND	1,992,184
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	439,678
CDC - TRUSTEE NBP AITEMAAD REGULAR PAYMENT FUND	30,900
CDC - TRUSTEE NIT INCOME FUND - MT	16,300
CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	575,100
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1,719,842
CDC - TRUSTEE PAKISTAN INCOME FUND - MT	3,700
CDC - TRUSTEE PICIC GROWTH FUND	1,165,300
CDC - TRUSTEE PICIC INVESTMENT FUND	623,300
CDC - TRUSTEE PIML ISLAMIC EQUITY FUND	42,500
CDC - TRUSTEE PIML VALUE EQUITY FUND	25,000
CDC - TRUSTEE UBL ASSET ALLOCATION FUND	150,900
CDC - TRUSTEE UBL DEDICATED EQUITY FUND	37,758
CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	170,300
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1,360,242
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	48,500
CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	533,300
CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	408,200
CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	478,200
CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	18,400
CDC-TRUSTEE HBL ISLAMIC STOCK FUND	678,400
CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	218,700
CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	37,200
CDC-TRUSTEE NITIPF EQUITY SUB-FUND	37,500
CDC-TRUSTEE NITPF EQUITY SUB-FUND	14,000
M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	16,000
MC FSL - TRUSTEE JS GROWTH FUND	59,600
MC FSL TRUSTEE JS - INCOME FUND	6,500
MC FSL TRUSTEE JS - INCOME FUND - MT	15,600
MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	613,200
MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND	65,000
MCBFSL - TRUSTEE ALLIED CAPITAL PROTECTED FUND	5,000
MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	159,000
MCBFSL - TRUSTEE JS VALUE FUND	200
MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	7,000
MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	43,500
MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	372,700
MCBFSL TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	42,500
TRI-STAR MUTUAL FUND LIMITED	913
TOTAL	46,316,689

7. Shareholders holding five percent or more voting rights in the Company:

Name of Shareholders	No. of shares Held
DAWOOD HERCULES CORPORATION LIMITED	194,972,555
PATEK (PVT.) LTD.	32,690,786

8. Details of purchase/sale of shares by Directors, Executives* and their spouse(s) / minor children during 2018.

Name	Date of Purchase / Sale	Shares Purchased	Shares Sold	Rate
Hussain Dawood	19.3.2018	300,000	-	299.65
Kulsum Dawood w/o Hussain Dawood	19.3.2018	175,000	-	299.60
Waqar Ahmed Malik	29.3.2018	10,000	-	308.98
Waqar Ahmed Malik	30.3.2018	10,000	-	309.94
Hussain Dawood	05.4.2018	470,600	-	318.49
Kulsum Dawood w/o Hussain Dawood	10.4.2018	15,000	-	319.80
Shahzada Dawood	12.4.2018	327,300	-	316.88
Shariq Abdullah	02.5.2018	-	4,000	309
Kermin Talati	27.8.2018	700	-	341.59
Hussain Dawood	28.8.2018	125,000	-	344.26
Kulsum Dawood w/o Hussain Dawood	28.8.2018	130,000	-	344.26
Shahzada dawood	30.8.2018	130,000	-	329.69
Shahzada Dawood	04.9.2018	100,000	-	328.33
Kulsum Dawood w/o Hussain Dawood	23.10.2018	6,500	-	300.60
Kulsum Dawood w/o Hussain Dawood	04.12.2018	15,000	-	299.29
Shahzada Dawood	04.12.2018	10,000	-	297.47
Kulsum Dawood w/o Hussain Dawood	07.12.2018	20,200	-	305.26
Kulsum Dawood w/o Hussain Dawood	18.12.2018	31,400	-	303.10
Kulsum Dawood w/o Hussain Dawood	19.12.2018	32,500	-	301.29

* For the purpose of declaration of share trades all employee of the company are considered as “Executives”

pattern of shareholding

as at December 31, 2018

	Shareholding				Shareholding		
No. of Shareholders	From	To	Total Shares Held	No. of Shareholders	From	To	Total Shares Held
2,547	1	100	113,937	2	180,001	185,000	364,181
2,646	101	500	779,700	3	185,001	190,000	562,983
1,367	501	1,000	1,106,457	1	190,001	195,000	191,182
2,931	1,001	5,000	7,410,515	2	195,001	200,000	397,300
991	5,001	10,000	7,222,287	3	200,001	205,000	608,645
397	10,001	15,000	4,888,513	3	205,001	210,000	627,500
251	15,001	20,000	4,448,795	1	210,001	215,000	214,400
182	20,001	25,000	4,129,984	6	215,001	220,000	1,303,426
114	25,001	30,000	3,162,658	3	220,001	225,000	670,900
69	30,001	35,000	2,211,458	3	230,001	235,000	697,512
79	35,001	40,000	2,981,538	2	235,001	240,000	474,723
55	40,001	45,000	2,353,979	5	240,001	245,000	1,215,919
57	45,001	50,000	2,766,044	5	245,001	250,000	1,241,187
45	50,001	55,000	2,366,772	3	250,001	255,000	757,155
23	55,001	60,000	1,336,072	2	255,001	260,000	516,804
31	60,001	65,000	1,948,293	1	260,001	265,000	262,355
28	65,001	70,000	1,890,841	3	265,001	270,000	801,910
21	70,001	75,000	1,537,426	2	270,001	275,000	547,200
13	75,001	80,000	1,003,461	2	275,001	280,000	555,949
15	80,001	85,000	1,239,859	1	280,001	285,000	283,900
22	85,001	90,000	1,916,593	5	290,000	295,000	1,460,744
13	90,001	95,000	1,197,313	5	300,000	305,000	1,507,036
16	95,001	100,000	1,578,126	2	305,001	310,000	614,153
9	100,001	105,000	923,913	4	315,001	320,000	1,266,866
10	105,001	110,000	1,073,475	2	320,001	325,000	646,402
8	110,001	115,000	903,488	1	330,001	335,000	333,900
4	115,001	120,000	471,556	1	335,001	340,000	337,147
11	120,001	125,000	1,349,417	1	340,001	345,000	344,108
5	125,001	130,000	642,292	3	345,001	350,000	1,041,600
11	130,001	135,000	1,462,098	1	355,001	360,000	358,200
6	135,001	140,000	824,900	1	365,000	370,000	365,000
9	140,001	145,000	1,280,286	2	370,001	375,000	743,500
9	145,001	150,000	1,337,461	1	390,001	395,000	392,000
7	150,001	155,000	1,060,972	3	400,000	405,000	1,206,808
8	155,001	160,000	1,260,571	2	405,001	410,000	815,716
3	160,001	165,000	489,691	3	415,001	420,000	1,250,991
3	165,001	170,000	505,048	2	420,001	425,000	845,210
6	170,001	175,000	1,028,411	1	425,001	430,000	429,100
4	175,001	180,000	707,802	2	435,001	440,000	877,778

	Shareholding				Shareholding		
No. of Shareholders	From	To	Total Shares Held	No. of Shareholders	From	To	Total Shares Held
1	465,001	470,000	467,900	1	1,040,001	1,045,000	1,042,200
3	470,001	475,000	1,420,536	1	1,055,001	1,060,000	1,058,600
1	475,001	480,000	478,200	2	1,100,000	1,105,000	2,201,204
2	500,001	505,000	1,006,890	1	1,105,001	1,110,000	1,105,219
2	505,001	510,000	1,018,300	1	1,125,000	1,130,000	1,125,000
1	515,001	520,000	516,337	2	1,140,001	1,145,000	2,286,890
2	525,001	530,000	1,057,528	1	1,145,001	1,150,000	1,147,900
1	530,001	535,000	533,300	1	1,160,001	1,165,000	1,160,300
2	535,001	540,000	1,072,379	1	1,165,001	1,170,000	1,165,300
3	545,001	550,000	1,644,414	1	1,190,001	1,195,000	1,193,300
1	570,001	575,000	574,934	1	1,235,001	1,240,000	1,239,760
1	575,001	580,000	575,100	1	1,245,001	1,250,000	1,248,900
2	585,001	590,000	1,173,367	1	1,275,001	1,280,000	1,277,800
2	600,000	605,000	1,200,000	1	1,290,001	1,295,000	1,292,600
1	605,001	610,000	606,700	1	1,360,001	1,365,000	1,360,242
2	610,001	615,000	1,227,000	1	1,530,001	1,535,000	1,534,200
1	620,001	625,000	623,300	1	1,585,001	1,590,000	1,585,800
2	625,001	630,000	1,253,966	1	1,615,001	1,620,000	1,616,286
2	630,001	635,000	1,264,281	1	1,715,001	1,720,000	1,719,842
1	655,001	660,000	655,568	1	1,725,001	1,730,000	1,728,844
1	660,001	665,000	664,008	1	1,820,001	1,825,000	1,824,740
1	675,001	680,000	678,400	1	1,885,001	1,890,000	1,889,900
1	700,000	705,000	700,000	1	1,935,000	1,940,000	1,935,000
1	705,001	710,000	709,714	1	1,970,001	1,975,000	1,974,343
1	710,001	715,000	713,300	1	1,990,001	1,995,000	1,992,184
1	750,000	755,000	750,000	1	2,130,001	2,135,000	2,134,520
1	755,001	760,000	756,923	1	2,140,001	2,145,000	2,141,535
3	785,001	790,000	2,366,700	1	2,240,001	2,245,000	2,242,700
1	800,000	805,000	800,000	1	2,245,001	2,250,000	2,247,910
3	810,001	815,000	2,442,602	1	2,355,001	2,360,000	2,357,200
1	820,001	825,000	822,900	1	2,395,001	2,400,000	2,396,600
1	825,001	830,000	825,500	1	2,465,001	2,470,000	2,467,565
1	835,001	840,000	837,147	1	2,655,001	2,660,000	2,656,323
1	845,001	850,000	848,221	1	2,695,001	2,700,000	2,699,738
1	855,000	860,000	855,000	1	2,780,000	2,785,000	2,780,000
1	860,001	865,000	860,873	2	2,825,001	2,830,000	5,656,700
1	875,001	880,000	876,201	1	2,995,001	3,000,000	2,999,133
1	955,001	960,000	959,100	1	3,120,001	3,125,000	3,123,900
1	970,001	975,000	974,218	1	3,225,001	3,230,000	3,225,400
1	975,001	980,000	976,020	1	3,615,001	3,620,000	3,619,347
1	1,000,000	1,005,000	1,000,000	1	4,445,001	4,450,000	4,449,400

	Shareholding				Shareholding		
No. of Shareholders	From	To	Total Shares Held	No. of Shareholders	From	To	Total Shares Held
1	4,870,001	4,875,000	4,873,202	1	13,705,001	13,710,000	13,708,400
1	5,405,001	5,410,000	5,406,700	1	20,000,000	20,005,000	20,000,000
1	5,545,001	5,550,000	5,545,342	1	32,690,001	32,695,000	32,690,786
1	8,905,001	8,910,000	8,906,567	1	194,970,001	194,975,000	194,972,555
1	11,945,001	11,950,000	11,946,659				
				12,232			523,784,755

categories of shareholding

as at December 31, 2018

S. No.	Shareholders Category	No. of Shareholder	No. of Shares	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	13	8,803,810	1.68
2	Associated Companies, Undertakings and related Parties	4	230,797,841	44.06
3	NIT and ICP	1	96	0.00
4	Banks, Development Financial Institutions, Non Banking Financial Institutions	28	11,172,076	2.13
5	Insurance Companies	30	30,161,036	5.76
6	Modarabas and Mutual Funds	110	46,332,964	8.85
7	Share holders holding 10%	1	194,972,555	37.22
8	General Public :			
	a. local	11,499	104,478,855	19.95
	b .Foreign			
9	Others	547	92,038,077	17.57

shareholder information

Annual General Meeting
The annual shareholders meeting will be held at 10:00 a.m. on April 24, 2019 at Karachi Marriott Hotel, Abdullah Haroon Road, Karachi.

Shareholders as of April 17, 2019 are encouraged to participate and vote.

Any shareholder may appoint a proxy to vote on his or her behalf. Proxies should be filed with the company at least 48 hours before the meeting time.

CDC Shareholders or their Proxies are requested to bring with them copies of their Computerized National Identity Card or passport alongwith the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.

Ownership
On December 31, 2018 there were 12,232, shareholders on record of the Company's ordinary shares.

Circulation of Annual Reports through CD/DVD/USB
As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and in continuation with the SRO.787(1)/2014 dated 8th September, 2014, and approved by the Shareholders in the Annual General Meeting of the Company held on April 06, 2017, the Company shall circulate its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts. The standard request form for electronic transmission is available at the Company's website www.engro.com.

Alternatively members can fill up the Standard Request Forms respectively in the Annexures section at the end of the report.

E-Dividend Mandate (Mandatory)
In accordance with the provisions of Section 242 of the Companies Act, 2017, a listed company, is required to pay cash dividend ONLY through electronic mode directly into the bank account designated by the entitled shareholders. Accordingly, the shareholders are requested to provide the information mentioned on an E-Dividend Mandate Form available at the Company's website www.engro.com and send the same to your brokers/the Central Depository Company Ltd. if the shares are held in the electronic form or to the Company's Shares Registrar if the shares are held in paper certificate form.

Quarterly Results
The Company issues quarterly financial statements and holds periodic briefings with security analysis to discuss the results and the business environment.

All annual/quarterly reports and periodic briefing presentations are regularly posted at the Company's website: www.engro.com.

Change of Address
All registered shareholders should send information on changes of address to:

M/s. FAMCO Associates (Private) Limited
8-F, Near Hotel Faran Nursery,
Block-6 P.E.C.H.S. Shahra-e-Faisal, Karachi-74000

empowering lives

Phapul Khatoon
Livestock Entrepreneur
District Khairpur, Sindh

Phapul is a beneficiary of Engro WELD and Engro SEADS Net. She used the skills learned from these projects to become an entrepreneur who now earns Rs. 50,000 a month. She supports her household, is a leader in her community, and is inspiring other women to follow her path.

Engro-led dairy value chain training programs have benefited 25,700 farmers and created 650 female livestock entrepreneurs. They have resulted in an average increase of 31% in yield of milk and over Rs. 5,500 in monthly income.

standalone accounts

- independent auditor’s report
- standalone financials

independent auditor's report

To the members of Engro Corporation Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Engro Corporation Limited (the Company),** which comprise the statement of financial position as at **December 31, 2018,** and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.2 to the financial statements) The Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of annual financial statements. As part of transition to the requirements, management performed an analysis to identify differences between the previous and current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the financial statements. In view of the various new disclosures prepared and presented in the financial statements, we have considered this a key audit matter.	Our audit procedures amongst others included the following: - reviewing and obtaining understanding of the requirements of the Fourth Schedule to the Companies Act, :2017. - considering the management's process to identify the additional disclosures required in the Company's annexed financial statements; - obtaining relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and - verifying on a test basis the supporting evidence for the. additional disclosures and ensured appropriateness of the disclosures made.
2.	**Income tax matters** (Refer note 18.1.8 and 25 to the financial statements) The Company has recognized provisions and has disclosed contingent liabilities in respect of certain income tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Company to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Company in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax as a key audit matter.	Our audit procedures amongst others included the following: - obtaining and reviewing details of the pending tax matters and discussed the same with the Company's management; - circularizing confirmations to the Company's external legal and tax counsels for their views on matters being handled by them; - involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external tax and legal advisors engaged by the Company; - reviewing correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - checking mathematical accuracy of the calculations underlying the provisions, if any; and - reviewing the adequacy of the disclosures made by the Company with regard to the applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 22, 2019

statement of financial position
as at december 31, 2018

(Amounts in thousand)	Note	2018 Rupees	2017 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	514,837	464,128
Intangible assets	6	58,248	8,514
Long term investments	7	24,652,289	21,171,987
Long term loans and advances	8	49,796	32,425
Deferred taxation	9	-	9,878
		25,275,170	21,686,932
Current assets			
Loans, advances and prepayments	10	350,121	1,234,859
Receivables	11	499,462	574,159
Accrued interest / mark-up		353,503	456,972
Short term investments	12	64,488,556	63,916,579
Cash and bank balances	13	1,609,160	810,916
		67,300,802	66,993,485
TOTAL ASSETS		92,575,972	88,680,417

(Amounts in thousand)	Note	2018 Rupees	2017 Rupees
EQUITY & LIABILITIES			
Equity			
Share capital	14	5,237,848	5,237,848
Share premium		13,068,232	13,068,232
General reserve		4,429,240	4,429,240
Remeasurement of post employment benefits - Actuarial loss		(12,721)	(12,656)
Unappropriated profit		62,380,565	60,660,171
Total equity		85,103,164	83,382,835
Liabilities			
Non-current liabilities			
Retirement and other service benefit obligations		50,365	35,459
Deferred taxation	9	249	-
		50,614	35,459
Current liabilities			
Trade and other payables	15	1,386,693	1,319,426
Provision	25.1	3,243,130	2,354,637
Taxes payable		1,431,589	274,696
Borrowings	16	998,164	994,841
Accrued interest / mark-up		64,357	64,358
Unclaimed dividends	17	298,260	254,165
		7,422,193	5,262,123
Total liabilities		7,472,808	5,297,582
Contingencies and Commitments	18		
TOTAL EQUITY & LIABILITIES		92,575,972	88,680,417

The annexed notes from 1 to 39 form an integral part of these financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

statement of profit or loss and other comprehensive income for the year ended december 31, 2018

(Amounts in thousand except for earnings per share)	Note	2018	2017
		Rupees	
Dividend income	19	10,263,698	13,134,115
Royalty income	20	968,959	757,200
		11,232,657	13,891,315
Administrative expenses	21	(2,610,895)	(1,603,368)
		8,621,762	12,287,947
Other income	22	8,597,203	4,233,787
Other operating expenses	23	(394,210)	(330,802)
Operating profit		16,824,755	16,190,932
Finance cost	24	(148,844)	(357,828)
Profit before taxation		16,675,911	15,833,104
Taxation	25	(3,956,036)	(4,432,940)
Profit for the year		12,719,875	11,400,164
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss			
- Remeasurement of retirement benefit			
obligation - Actuarial loss (net of tax)	28.2.12	(65)	(10,394)
Total comprehensive income for the year		12,719,810	11,389,770
Earnings per share - basic and diluted	26	24.28	21.76

The annexed notes from 1 to 39 form an integral part of these financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

statement of changes in equity for the year ended december 31, 2018

(Amounts in thousand)		RESERVES				
		CAPITAL	REVENUE			
	Share Capital	Share premium	General reserve	Remeasurement of post employment benefits - Actuarial loss	Unappropriated profit	Total
				Rupees		
Balance as at January 1, 2017	5,237,848	13,068,232	4,429,240	(2,262)	61,307,059	84,040,117
Profit for the year	-	-	-	-	11,400,164	11,400,164
Other comprehensive loss	-	-	-	(10,394)	-	(10,394)
	-	-	-	(10,394)	11,400,164	11,389,770
Transactions with owners						
Final cash dividend for the year ended						
December 31, 2016 @ Rs. 4.00 per share	-	-	-	-	(2,095,138)	(2,095,138)
Interim cash dividends for the year ended						
December 31, 2017:						
- 1st interim @ Rs.5.00 per share	-	-	-	-	(2,618,924)	(2,618,924)
- 2nd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
- 3rd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
	-	-	-	-	(12,047,052)	(12,047,052)
Balance as at December 31, 2017	5,237,848	13,068,232	4,429,240	(12,656)	60,660,171	83,382,835
Profit for the year	-	-	-	-	12,719,875	12,719,875
Other comprehensive loss	-	-	-	(65)	-	(65)
	-	-	-	(65)	12,719,875	12,719,810
Transactions with owners						
Final cash dividend for the year ended						
December 31, 2017 @ Rs. 2.00 per share	-	-	-	-	(1,047,567)	(1,047,567)
Interim cash dividends for the year ended						
December 31, 2018 :						
- 1st interim @ Rs.5.00 per share	-	-	-	-	(2,618,924)	(2,618,924)
- 2nd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
- 3rd interim @ Rs.7.00 per share	-	-	-	-	(3,666,495)	(3,666,495)
	-	-	-	-	(10,999,481)	(10,999,481)
Balance as at December 31, 2018	5,237,848	13,068,232	4,429,240	(12,721)	62,380,565	85,103,164

The annexed notes from 1 to 39 form an integral part of these financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

statement of cash flows
for the year ended december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash utilized in operations	29	(2,721,115)	(2,869,286)
Royalty received		830,722	807,154
Taxes paid		(1,900,523)	(2,075,598)
Retirement and other service benefits paid		(88,542)	(71,486)
Long term loans and advances - net		(17,371)	(11,800)
Net cash utilized in operating activities		(3,896,829)	(4,221,016)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		10,623,638	12,774,175
Income on deposits / other financial assets including income earned on subordinated loans to subsidiaries		3,800,410	3,869,221
Proceeds from disposal of investments in subsidiary		4,357,823	-
Long term investments		(3,480,301)	-
Investment in Term Finance Certificates of subsidiary		-	(3,560,000)
Loans granted to subsidiaries		-	(600,000)
Repayment of loans by subsidiaries		896,542	6,560,000
Purchase of Treasury bills and Fixed income placements		(26,894,313)	(48,430,230)
Proceeds from sale of Treasury bills and maturity of Fixed income placements		44,061,443	61,272,487
Purchases of property, plant and equipment		(168,674)	(349,807)
Sale proceeds on disposal of property, plant and equipment		484	444
Net cash generated from investing activities		33,197,052	31,536,290
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of financial charges		(145,522)	(532,747)
Repayment of Engro Islamic Rupiya Certificates - I		-	(3,000,000)
Dividends paid		(10,955,386)	(12,009,012)
Net cash utilized in financing activities		(11,100,908)	(15,541,759)
Net increase in cash and cash equivalents		18,199,315	11,773,515
Cash and cash equivalents at beginning of the year		35,986,713	24,213,198
Cash and cash equivalents at end of the year	30	54,186,028	35,986,713

The annexed notes from 1 to 39 form an integral part of these financial statements.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

notes to the financial statements
for the year ended december 31, 2018

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

Engro Corporation Limited (the Company), is a public listed company incorporated in Pakistan. Its shares are quoted on Pakistan Stock Exchange Limited. The Company is a subsidiary of Dawood Hercules Corporation Limited (the Parent Company). The principal activity of the Company, is to manage investments in subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses.

The business units of the Company include the following:

Business Unit	Geographical Location
Head / Registered Office	7th & 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi.
Islamabad Office	22 floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

Following is the summary of significant transactions and events that have affected Company's financial position and performance during the year:

2.1 As stated in note 7.1.2, the Company divested 30% of its investment in Elengy Terminal Pakistan Limited (ETPL), a subsidiary company, to Vopak LNG Holding B.V. for a consideration of US Dollars 31,378 on December 13, 2018, thereby decreasing the percentage of its shareholding in ETPL from 80% to 56%.

2.2 As stated in note 7.1.1, the company fully subscribed to its entitled right shares offered by Engro Polymer and Chemicals Limited, a subsidary company, investing an amount of Rs. 3,034,316.

2.3 As stated in note 7.1.3, the Company subscribed to 40,153,140 ordinary shares issued by Engro Infiniti (Private) Limited, a wholly owned subsidiary, investing an amount of Rs. 932,400.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

3.1.1 These financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and liablities at fair value and recognition of certain staff retirement and other services benefits at present value.

3.1.2 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provision of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.3 The preparation of financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.1.4 **Initial application of a Standard, Amendment or an Interpretation to an existing Standard**

a) Standards, amendments to published standards and interpretations that are effective for the year and are relevant to the Company

The new standards, amendments to published accounting and reporting standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and therefore have not been presented here.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Company

The following new standards are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Company:

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after July 1, 2018). IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

- IFRS 16, 'Leases' (effective for periods beginning on or after January 1, 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the financial statements of the Company.

There are other amendments to published standards and interpretations that are not yet effective and are also not relevant to the Company's financial reporting and operations and therefore, have not been presented here.

3.2 Property, plant and equipment

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except capital work-in-progress which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs (note 3.20). The cost of self constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the profit or loss during the financial year in which they are incurred.

Disposal of asset is recognized when significant risks and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses / income' in the profit or loss.

Depreciation is charged to the profit or loss using the straight line method whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life at rates given in note 5.1. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

Depreciation method, useful lives and residual values are reviewed annually.

3.3 Intangible assets - Computer softwares

a) Acquired

Costs associated with maintaining computer software programmes are recognized as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding one year, are recognized as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software and license cost treated as intangible assets are amortized from the date the software is put to use on a straight-line basis over a period of 4 years.

b) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using the straight-line basis over a period of 5 years. Amortization on addition is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the year in which it is incurred.

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

a) completion of the intangible asset is technically feasible so that it will be available for use or sale;

b) the Company intends to complete the intangible asset and use or sell it;

c) the Company has the ability to use or sell the intangible asset;

d) the intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;

e) there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) the expenditure attributable to the intangible asset during its development can be measured reliably.

3.4 Impairment of non-financial assets

Non-financial assets are reviewed at each balance sheet date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.5 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains or losses on remeasurement are recognized in the profit or loss.

3.6 Investments

Investment in subsidiary, associates and joint venture companies are initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized as an expense. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the profit or loss.

3.7 Financial assets

3.7.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) At fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. These are classified as non-current assets.

c) Held to maturity

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose off it within 12 months of the end of the reporting date.

3.7.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity instruments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit or loss within 'Other income / Other operating expenses' in the year in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit or loss as part of 'Other income' when the Company's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss and other comprehensive income as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit or loss as part of 'Other income'. Dividend income from available-for-sale equity instruments is recognized in the profit or loss as part of 'Other income' when the Company's right to receive payments is established.

The Company assesses at the end of each reporting year whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of profit or loss and other comprehensive income. Impairment losses recognized in the statement of profit or loss and other comprehensive income on equity instruments are not reversed through the profit or loss.

3.8 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in profit or loss.

3.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of finanacial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle either on a net basis, or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

3.10 Receivables

These are recognized initially at fair value and subsequently measured at amortized cost using effective interest method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to profit or loss. Receivables considered irrecoverable are written-off.

3.11 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash in hand, balance with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts, if any.

3.12 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the year of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3.14 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business, if longer. If not, they are presented as non-current liabilities.

3.15 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In which case tax is also recognized in other comprehensive income or directly in equity.

3.15.1 Current

The current income tax charge is based on the taxable income for the year calculated on the basis of tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.15.2 Deferred

Deferred tax is recognized using the balance sheet method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.16 Retirement and other service benefit obligations

3.16.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company operates:

- a defined contribution provident fund for its permanent employees and permanent employees of its subsidries, associates and joint ventures (here-in-after referred to as Group companies). Monthly contributions are made both by the Company, other Group companies and employees to the fund at the rate of 10% of basic salary;

- a defined contribution pension fund for the benefit of its management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at rates ranging from 12.5% to 13.75% of basic salary; and

- a defined contribution gratuity fund for the benefit of management employees and management employees of its Group companies. Monthly contributions are made by the Company and other Group companies to the fund at the rate of 8.33% of basic salary.

(Amounts in thousand)

3.16.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior years; that benefit is discounted to determine its present value. The calculation is performed annually by an independent actuary using the projected unit credit method. Remeasurement gains / losses are recognized in other comprehensive income.

The Company operates a defined benefit funded gratuity scheme for its management employees.

Annual provision is also made under a service incentive plan for certain categories of experienced employees to continue in the Company's employment.

3.16.3 Employees' compensated absences

The Company accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

3.17 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.18 Foreign currency transactions and translation

These financial statements are presented in Pakistan Rupees, which is Company's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss, except where such gains and losses are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such gains and losses are capitalized as part of the cost of that asset.

3.19 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, and is recognized on the following basis:

- Dividend income from investments is recognized when the Company's right to receive the payment has been established.

- Income on deposits and other financial assets are recognized on accrual basis.

- Royalty income from subsidiary and associated companies is recognized on an accrual basis in accordance with the agreements entered therewith.

- Gains / (losses) arising on sale of investments are included in profit or loss in the year in which they arise.

3.20 Borrowing costs

Borrowing costs are recognized as an expense in the year in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which case such costs are capitalized as part of the cost of that asset. Borrowing costs include exchange differences arising on foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

(Amounts in thousand)

3.21 Derivative financial instruments

Derivatives are recognized initially at fair value on the date a derivative contract is entered into and attributable transaction cost is recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes are recognized in profit or loss.

3.22 Earnings per share

The Company presents basic and diluted earnings per share (EPS) in respect of its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.23 Dividend and appropriation to reserves

Dividend and appropriation to reserves are recognized in the financial statements in the year in which these are approved.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

4.1 Impairment of investments in subsidiaries, associates and joint venture

In making estimates of future cash flows from the Company's financial assets and from investments in subsidiaries, associates and joint ventures, the management considers future dividend stream and an estimate of the terminal value of these investments, which are subject to change.

4.2 Income taxes

In making the estimates for current income taxes payable by the Company, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made taking into account these judgments and the best estimates of future results of operations of the Company.

4.3 Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Further, contributions determination requires assumptions to be made for future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Any changes in these assumptions will impact the carrying amount of these obligations. The underlying assumptions are disclosed in note 28.

	2018	2017
	Rupees	
5. PROPERTY, PLANT AND EQUIPMENT		
Operating assets (note 5.1)	337,501	166,742
Capital work-in-progress (note 5.2)	177,336	297,386
	514,837	464,128

(Amounts in thousand)

5.1 Operating assets

	Furniture, fixture and equipment	Vehicles	Total
	Rupees		
As at January 1, 2017			
Cost	182,305	56,861	239,166
Accumulated depreciation	(116,655)	(27,914)	(144,569)
Net book value	65,650	28,947	94,597
Year ended December 31, 2017			
Opening net book value	65,650	28,947	94,597
Additions - transfers from capital work-in-progress (note 5.2)	63,505	48,659	112,164
Disposals / Write-offs (note 5.3)			
Cost	(1,412)	-	(1,412)
Accumulated depreciation	428	-	428
	(984)	-	(984)
Depreciation charge (note 21)	(21,078)	(17,957)	(39,035)
Net book value	107,093	59,649	166,742
As at January 1, 2018			
Cost	244,398	105,520	349,918
Accumulated depreciation	(137,305)	(45,871)	(183,176)
Net book value	107,093	59,649	166,742
Year ended December 31, 2018			
Opening net book value	107,093	59,649	166,742
Additions - transfers from capital work-in-progress (note 5.2)	219,940	4,550	224,490
Disposals / Write-offs (note 5.3)			
Cost	(874)	-	(874)
Accumulated depreciation	564	-	564
	(310)	-	(310)
Depreciation charge (note 21)	(32,936)	(20,485)	(53,421)
Net book value	293,787	43,714	337,501
As at December 31, 2018			
Cost	463,464	110,070	573,534
Accumulated depreciation	(169,677)	(66,356)	(236,033)
Net book value	293,787	43,714	337,501
Annual rate of depreciation (%)	15 to 20	20 to 25	

(Amounts in thousand)

5.2 Capital work-in-progress

	Furniture, fixture and equipment	Advances to suppliers	Internally generated intangible asset	Total
	Rupees			
Year ended December 31, 2017				
Balance as at January 1, 2017	1,159	58,584	-	59,743
Additions during the year	20,784	151,749	177,274	349,807
Transferred to operating assets (note 5.1)	(10,330)	(101,834)	-	(112,164)
Balance as at December 31, 2017	11,613	108,499	177,274	297,386
Year ended December 31, 2018				
Balance as at January 1, 2018	11,613	108,499	177,274	297,386
Additions during the year	11,510	207,813	-	219,323
Transferred to:				
- operating assets (note 5.1)	(23,061)	(201,429)	-	(224,490)
- associated companies (note 5.2.1)	-	(50,649)	-	(50,649)
- intangible assets (note 6)	-	(64,234)	-	(64,234)
Balance as at December 31, 2018	62	-	177,274	177,336

5.2.1 Represents capital work-in-progress over automation solution software and renovation work amounting to Rs. 20,649 and Rs. 30,000 transferred, at cost, to Engro Foods Limited and Engro Infiniti (Private) Limited respectively.

5.3 The details of operating assets disposed off during the year are as follows:

Description of asset	Mode of disposal	Sold to	Cost	Accumulated depreciation	Net book value	Sale Proceeds	Gain
			Rupees				
Furniture, fixture and equipment	Insurance claim	EFU General Insurance Limited	874	564	310	484	174

(Amounts in thousand)

6. INTANGIBLE ASSETS

Represent various computer softwares amortized on straight line basis over a period of 4 years. Movement during the year is as follows:

	Rupees
Year ended December 31, 2017	
Opening net book value	12,629
Amortization charge (note 21)	(4,115)
Net book value	8,514
As at January 1, 2018	
Cost	16,460
Accumulated amortization	(7,946)
Net book value	8,514
Year ended December 31, 2018	
Opening net book value	8,514
Additions : Transferred from capital work-in-progress (note 5.2)	64,234
Amortization charge (note 21)	(14,500)
Net book value	58,248
As at December 31, 2018	
Cost	80,694
Accumulated amortization	(22,446)
Net book value	58,248

7. LONG TERM INVESTMENTS

	2018	2017
	Rupees	
Subsidiary companies - at cost (note 7.1)	24,406,622	20,926,320
Less: Provision for impairment	(3,270,092)	(3,270,092)
	21,136,530	17,656,228
Joint venture company - at cost		
Engro Vopak Terminal Limited		
45,000,000 (2017: 45,000,000) Ordinary shares of Rs. 10 each, equity held 50% (2017: 50%)	450,000	450,000
Associated company - at cost		
Engro Foods Limited		
306,075,948 (2017: 306,075,948) Ordinary shares of Rs. 10 each, equity held 39.9% (2017 39.9%)	3,060,759	3,060,759
Others - at cost		
Arabian Sea Country Club Limited		
500,000 (2017: 500,000) Ordinary shares, of Rs. 10 each, equity held 6% (2017: 6%)	5,000	5,000
	24,652,289	21,171,987

7.1 Subsidiary companies

	2018		2017	
	Equity % held	Investment at cost	Equity % held	Investment at cost
	Rupees		Rupees	
Quoted				
Engro Fertilizers Limited				
751,312,057 (2017: 751,312,057) Ordinary shares of Rs. 10 each	56.27	7,519,968	56.27	7,519,968
Engro Polymer & Chemicals Limited				
510,733,461 (2017: 372,810,000) Ordinary shares of Rs. 10 each (note 7.1.1)	56.19	6,685,616	56.19	3,651,300
Unquoted				
Engro Energy Limited				
36,476,000 (2017: 36,476,000) Ordinary shares of Rs. 10 each	100	3,106,700	100	3,106,700
Engro Eximp Agriproducts (Private) Limited				
- 190,860,900 (2017: 190,860,900) Ordinary shares of Rs. 10 each	100	4,927,000	100	4,927,000
- 10,000,000 (2017: 10,000,000) Redeemable Preference shares of Rs.10 each	100	100,000	100	100,000
		5,027,000		5,027,000
Elengy Terminal Pakistan Limited				
113,493,731 (2017: 162,135,215) Ordinary shares of Rs. 10 each (note 7.1.2)	56	1,134,938	80	1,621,352
Engro Infiniti (Private) Limited				
- 153,140 (2017: Nil) Ordinary shares of Rs. 10 each (note 7.1.3)	100	532,400		-
- Advance against issue of share capital (note 7.1.3)		400,000		-
		932,400		-
		24,406,622		20,926,320

7.1.1 During the year, Engro Polymer and Chemicals Limited (EPCL), a subsidiary company, offered 37% of its issued, subscribed and paid-up ordinary shares of Rs. 10 each as right shares at Rs. 22 per ordinary share. The Company fully subscribed to its entitled right shares aggregating to 137,923,461 ordinary shares, for an amount of Rs. 3,034,316.

7.1.2 During the year, on July 20, 2018, the Company executed a Share Purchase Agreement (SPA) with Vopak LNG Holding B.V. (the buyer) in respect of sale of up to 36.25% of the Company's investment in Elengy Terminal Pakistan Limited (ETPL), a subsidiary company. In respect thereof, the shareholders of the Company in its Extra-ordinary General Meeting held on September 25, 2018, unanimously approved the disposal of up to 36.25% of the Company's shareholding in ETPL.

Consequently, on December 14, 2018, the Company and the buyer completed the transaction in accordance with the SPA, whereby, the buyer has acquired 24% shareholding of ETPL from the Company for a consideration of US Dollars 31,378. Further, the buyer has acquired a further 5% shareholding of ETPL from International Finance Corporation (IFC), pursuant to IFC's tag along rights under the shareholders agreement that IFC has in place with the Company. The gain on such disposal amounts to Rs. 3,849,369 which has been recorded as other income, net of transaction cost (note 22). The Company as at reporting date holds 56% shares of ETPL, while the buyer and IFC hold 29% and 15% of the ETPL's shareholding, respectively.

(Amounts in thousand)

7.1.3 During the year, the Company has made investments in Engro Infiniti (Private) Limited, a wholly owned subsidiary, through:

- subscription of 100,000 ordinary shares of Rs. 10 each at par;
- subscription of 53,140 ordinary shares of Rs. 10 each at a premium of Rs. 9,990 per share; and
- payment of advance against subscription of 40,000,000 ordinary shares of Rs. 10 each, the shares in respect thereof shall be issued after completion of legal formalities.

7.1.4 Investment in associated companies / undertakings have been made in accordance with the requirements of the Companies Act, 2017.

8. LONG TERM LOANS AND ADVANCES - Considered good

	2018 Rupees	2017
Long term loans and advances to executives and other employees (note 8.1)	93,588	63,714
Less: Current portion shown under current assets (note 10)	43,792	31,289
	49,796	32,425

8.1 Reconciliation of the carrying amount of loans and advances to executives and other employees

	2018	2017
Balance as at January 1	63,714	34,572
Add: Disbursements	89,028	66,338
Less: Repayments / Amortization	(59,154)	(37,196)
Balance as at December 31	93,588	63,714

8.2 The maximum amount outstanding at the end of any month during the year ended December 31, 2018 from executives aggregated to Rs. 93,588 (2017: Rs. 65,623).

8.3 The carrying values of the loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

8.4 Loans given to employees and executives are in accordance with the Company policy, return free and are repayable within a period of 1 to 5 years. Further, as at year-end, these include loans given to key management personnel aggregating to Rs. 7,036 (2017: Rs. 3,190).

9. DEFERRED TAXATION

	2018 Rupees	2017
Debit / (Credit) balances arising on account of:		
- accelerated depreciation allowance	(165)	7,153
- provision for retirement benefits	26	4,324
- amortization of transaction costs incurred on borrowings	(110)	(1,599)
	(249)	9,878

10. LOANS, ADVANCES AND PREPAYMENTS

	2018 Rupees	2017
Loans and advances, considered good		
Current portion of long term loans and advances to executives and other employees (note 8)	43,792	31,289
Loan to Elengy Terminal Pakistan Limited (note 10.1)	-	896,542
	43,792	927,831
Prepayments	306,329	307,028
	350,121	1,234,859

10.1 Represents subordinated loans extended in prior years to Engro Elengy Terminal Pakistan Limited, a subsidiary company, amounting to Rs. 296,542 carrying mark-up payable on quarterly basis equal to 3 months KIBOR plus a margin of 3.5% per annum, and Rs. 600,000 carrying mark-up at the rate of 3 months KIBOR plus 0.5% per annum payable on lumsump basis on or before June 30, 2018. During the year, the aforementioned loans have been fully repaid by the subsidiary.

10.2 The carrying values of the loans and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

(Amounts in thousand)

11. RECEIVABLES

	2018	2017
	Rupees	
Considered good		
Due from:		
- Parent Company - Dawood Hercules Corporation Limited	798	-
- Subsidiary companies		
- Engro Elengy Terminal (Private) Limited	11,592	9,157
- Engro Energy Limited	34,341	-
- Engro Eximp FZE	29,026	31,986
- Engro Eximp Agriproducts (Private) Limited	22,043	-
- Engro Fertilizers Limited (note 11.3)	138,237	30,971
- Engro Infiniti (Private) Limited	32,857	-
- Engro Polymer and Chemicals Limited	17,029	24,640
- Engro Powergen Qadirpur Limited	14,578	14,977
- Engro Powergen Thar (Private) Limited	15,746	14,472
- Engro Power Investments International B.V.	51,846	-
- Elengy Terminal Pakistan Limited	726	395,889
- Joint venture		
- Engro Vopak Terminal Limited	6,253	3,806
- Associated companies		
- Engro Foods Limited	7,764	8,579
- Sindh Engro Coal Mining Company Limited	16,498	17,969
- Thar Power Company Limited	2,428	742
	401,762	553,188
- Engro Foundation	-	59
- Retirement benefit funds	15,688	18,278
- FrieslandCampina Pakistan Holdings B.V.	41,460	-
- Others	40,552	2,634
Considered doubtful		
Due from:		
- FrieslandCampina Pakistan Holdings B.V.	143,366	143,366
- Financial advisors	155,124	155,124
Less: Provision against doubtful receivables	(298,490)	(298,490)
	-	-
	499,462	574,159

11.1 The maximum amount due from related parties at the end of any month during the year aggregated to Rs. 468,622 (2017: Rs. 553,188).

11.2 As at December 31, 2018, receivables from related parties aggregating to Rs. 73,831 (2017: Rs. 78,652) were past due but not impaired. The ageing analysis of these receivables is as follows:

(Amounts in thousand)

	2018	2017
	Rupees	
Upto 3 months	34,318	33,486
3 to 6 months	12,412	15,730
More than 6 months	27,101	29,436
	73,831	78,652

11.3 Includes royalty fee aggregating to Rs.138,237 (2017: Nil) under a licensing agreement (note 20).

12. SHORT TERM INVESTMENTS

	2018	2017
Fair value through profit or loss		
- Treasury bills (note 12.1)	52,544,368	60,007,819
- Pakistan Investment Bonds (note 12.2)	7,699,778	-
Held to maturity		
- Fixed income placement	32,500	36,500
Available for sale		
- Term Finance Certificates (note 12.3)	4,211,910	3,872,260
	64,488,556	63,916,579

12.1 These have maturity dates of upto three months from reporting date and are discounted using the effective rates upto 10.29% (2017: 6.02%) per annum.

12.2 Pakistan Investment Bonds carry mark-up at the rate of 6.2% (2017 : Nil) per annum.

12.3 In 2017, the Company subscribed to privately placed, unsecured and non-convertible zero-coupon Term Finance Certificates (TFCs) issued by Engro Energy Limited, a wholly owned subsidiary company. These TFCs were issued at a discounted value of Rs. 3,560,000 and have a tenure of one year, extendable annually upon mutual consent upto a maximum of 48 months. Under the terms of TFCs, the Company is entitled to redeem these TFC's at any time during the term at a price to be computed using an effective interest rate of 8.77% per annum.

13. CASH AND BANK BALANCES

	2018	2017
	Rupees	
Cash at banks under:		
-deposit accounts - conventional (note 13.1)	1,600,385	809,375
-deposit accounts - islamic (note 13.2)	275	984
-current accounts - conventional	8,110	167
	1,608,770	810,526
Cash in hand	390	390
	1,609,160	810,916

13.1 These carry return ranging from 5.0% to 8.0% (2017: 4.75% to 5.0%) per annum.

13.2 These are shariah compliant bank balances and carry profit at rates ranging from 4.5% to 6.0% (2017: 3.0% to 4.5%) per annum.

(Amounts in thousand)

14. SHARE CAPITAL

14.1 Authorized capital

2018 (Number of shares)	2017 (Number of shares)		2018 Rupees	2017 Rupees
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

14.2 Issued, subscribed and paid-up capital

2018 (Number of shares)	2017 (Number of shares)		2018 Rupees	2017 Rupees
197,869,803	197,869,803	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
325,914,951	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,259,149	3,259,149
523,784,754	523,784,754		5,237,848	5,237,848

14.3 As at December 31, 2018, Dawood Hercules Corporation Limited and associated companies held 194,972,555 and 33,825,286 (2017: 194,972,555 and 33,825,286) ordinary shares in the Company, respectively.

15. TRADE AND OTHER PAYABLES

	2018 Rupees	2017 Rupees
Creditors	90,684	86,847
Accrued liabilities	870,836	903,131
Workers' welfare fund (note 15.1)	-	204,229
Withholding tax payable	1,046	4
Zakat payable	117	269
Payable to :		
- Engro Digital Limited	53,251	-
- Engro Energy Limited	-	75,995
- Engro Eximp Agriproducts (Private) Limited	-	12,270
- Engro Fertilizer Limited (note 15.2)	327,306	-
- Defined contribution gratuity fund	45	-
- Defined benefit gratuity fund - non-management employees	80	63
Current portion of retirement and other service benefit obligations (note 15.3)	38,386	34,301
Others	4,942	2,317
	1,386,693	1,319,426

15.1 During 2016, Supreme Court of Pakistan issued a judgement dated November 11, 2016, as a result of which changes made through the Finance Acts of 2006 and 2008 in the Workers' Welfare Ordinance, 1971 were held to be ultra-vires to the Constitution. Subsequently, a civil review petition against the aforementioned judgement has been filed by the taxation authorities which is in the process of being heard. In this respect, till December 2014, the Company had accrued for Workers' Welfare Fund (WWF) based on the amendments brought through Finance Act 2008, however, no payments were made thereagainst.

In light of above and based on the advice of the legal advisor the provision for WWF amounting to Rs. 204,229 has been written-back.

15.2 Till 2015, Engro Fertilizers Limited (EFert), a subsidiary company, had purchased losses surrendered by Engro Eximp Agriproducts (Private) Limited (EEAPL), a wholly owned subsidiary company, to avail the benefit of Group Relief under section 59B of the Income Tax Ordinance, 2001, aggregating to Rs. 6,407,804 representing business losses for financial years 2012 to 2014. The Company had provided an indemnity to EFert against any losses incurred consequent to its purchase of EEAPL's losses. During the year, the minimum tax on turnover aggregating to Rs. 338,837 available to EFert had lapsed which could have been utilized by EFert, had it not purchased the losses surrendered by EEAPL. Accordingly, the Company has recognized a charge against the indemnity provided by it to EFert.

15.3 Includes liability towards defined benefit gratuity fund amounting to Rs. 22,952 (2017: Rs. 18,345).

16. BORROWINGS - Secured

	2018 Rupees	2017 Rupees
Engro Islamic Rupiya Certificate II (notes 16.1)	998,164	994,841

16.1 The outstanding balance as at year end represents amount raised from general public against the issuance of Engro Islamic Rupiya (EIR) Certificates - II. These are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs. 1,000,000 duly approved by the SECP. EIR - II Certificates have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually maturing on July 10, 2019. The certificate holders, however, may request the Company for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price.

The EIR Certificates - II have been secured by way of first ranking pari passu floating charge over all the present and future movable properties, including all types of investments of the Company except for present and future trademarks, copyrights and certain investments in subsidiary companies. The Company, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates were utilized to pay-off conventional liabilities and to meet funding requirements of the subsidiaries and to finance new projects.

Engro Islamic Rupiya Certificate II includes certifcates subscribed by related parties for aggregate amount of Rs. 146,460 (2017: 146,460).

16.2 The facilities for short term running finance arranged from various banks, which represents the aggregate sale price of the mark-up arrangements, amount to Rs. 1,500,000 (2017: Rs. 1,500,000). The facilities are primarily secured against ranking floating charge over all present and future loans, advances, receivables and other current assets (excluding investments) of the Company. Additionally, the facilities are also secured through a pledge over shares of Engro Foods Limited and Engro Fertilizers Limited. The rate of mark-up on these finances are based on one month KIBOR plus 1% (2017: one month KIBOR plus 1%) per annum. The corresponding purchase prices are payable on various dates by December 2019. During the year, the Company has not utilized its short term running finance facilities.

17. UNCLAIMED DIVIDENDS

Includes unclaimed dividend amounting to Rs. 157,589 outstanding for more than 3 years from the date of declaration. Such unclaimed dividend is payable to the Federal Government as per the Act, subject to fulfillment / clarification on certain pre-conditions specified in the Act.

(Amounts in thousand)

18. CONTINGENCIES AND COMMITMENTS

18.1 Contingencies

	2018 Rupees	2017 Rupees
Corporate Guarantees issued in favour of subsidiary companies:		
- Engro Powergen Qadirpur Limited (note 18.1.1)	1,391,000	1,108,000
Bank guarantees (note 18.1.2)	1,535,000	1,535,000
	2,926,000	2,643,000

18.1.1 Represents Corporate Guarantee amounting to US Dollars 10,000 issued to a bank to open DSRA letter of credit in favour of the subsidiary company's senior long term lenders.

18.1.2 In the years 2014 and 2016, the Company divested some of its shareholding in Engro Fertilizers Limited (EFert). The Company had held such shareholding in EFert since 2010 and is of the view that capital gain on the sale of such securities do not attract any income tax. However, the Company was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. The Company has obtained stays thereagainst from High Court of Sindh and has also provided bank guaranties amounting to Rs. 1,535,000 in this respect in favor of Nazir of High Court of Sindh.

18.1.3 Following are the details of shares pledged by the Company in favour of Engro Energy Limited (EEL):

- The Company has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Standby Letters of Credit (Equity SBLCs) provided by EEL, a subsidiary company, through National Bank of Pakistan amounting to US Dollars 12,598 (2017: US Dollars 14,027) and US Dollars 17,827 (2017: US Dollars 36,619) (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC), its associated company, and Engro Powergen Thar (Private) Limited (EPTL), its subsidiary company, in favour of the Intercreditor, Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTL). Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020; and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements.

- The Company has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against a Standby Letter of Credit (Put Option SBLC) provided by EEL, a subsidiary company, through Allied Bank Limited amounting to US Dollars 21,070 in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) June 30, 2019; and (ii) fulfillment of sponsor obligations pursuant to Put Option SSA.

18.1.4 Engro Elengy Terminal Pakistan Limited has issued Corporate and Performance guarantees amounting to US Dollars 20,700 and US Dollars 10,000, respectively. These guarantees have been secured by the Company by pledging the shares of Engro Fertilizers Limited and Engro Foods Limited. During the year, these securities have been replaced by Treasury Bills. Further, the Company also pledged Treasury Bills against SBLC of US Dollars 5,000 issued during the year.

18.1.5 The Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Company and has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Stand By Letter of Credit (SBLC) facility amounting to US Dollars 4,673 and Rs. 411,949 granted to Engro Elengy Terminal (Private) Limited.

(Amounts in thousand)

18.1.6 In the year 2017, Engro Foods Limited (EFoods), an associated company, received an order from the Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of EFoods' marketing activities relating to one of its products. EFoods has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Company is required to reimburse 51% of the amount together with all reasonable cost and expenses to FCP in case any such penalty materializes. The Company, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly, no provision has been recognized in these financial statements in this respect.

18.1.7 During 2016, the Company entered into a Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP) for the sale of 47.1% of the total issued shares of Engro Foods Limited (EFoods). In accordance with the terms of the SPA, the Company is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together will all reasonable costs and expenses incurred, in case any tax contingency materializes. The Company, based on the opinion of EFoods' tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by EFoods, and accordingly no provision has been recognized in these financial statements in this respect.

18.1.8 Pursuant to the Finance Act, 2017, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 and onwards, a tax has been imposed at the rate of 7.5% of profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 40% of its after-tax-profits within six months of the end of the tax year, through cash or bonus shares.

The Company has obtained a stay on the levy of aforesaid tax from the Sindh High Court, based on the grounds that this tax is applicable on the accounting profit-before-tax, that does not represent real income which can be taxed under the law and that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Company that such an amendment to company laws could not have been made through a money bill.

The Company, based on the opinion of its legal advisor is confident that it has a reasonable case in favor of the Company.

18.2 Commitments

	2018 Rupees	2017 Rupees
18.2.2 Commitments in respect of capital expenditure	230,687	146,732

19. DIVIDEND INCOME

	2018	2017
Subsidiary companies:		
- Engro Fertilizers Limited	8,264,433	6,010,496
- Engro Polymer and Chemicals Limited	706,835	167,764
- Elengy Terminal Pakistan Limited	-	2,680,095
Joint venture:		
- Engro Vopak Terminal Limited	1,170,000	1,215,000
Associated company:		
- Engro Foods Limited	122,430	3,060,760
	10,263,698	13,134,115

20. ROYALTY INCOME

The Company has granted Engro Fertilizers Limited, a subsidiary company, the right to use trade marks and copy rights of the Company for marketing of fertilizer products under a licensing agreement effective January 1, 2010.

(Amounts in thousand)

21. ADMINISTRATIVE EXPENSES

	2018	2017
	Rupees	
Salaries, wages and staff welfare (notes 21.1 and 21.2)	571,773	650,703
Staff recruitment, training and safety	30,286	46,316
Human resource development (note 21.3)	658,883	164,196
Repairs and maintenance	4,189	45,258
Advertising, promotion and corporate branding	133,245	93,343
Rent, rates and taxes	179,384	79,469
Communication, stationery and other office expenses	24,932	24,412
Travelling	35,257	43,734
Depreciation (note 5.1)	53,421	39,035
Amortization (note 6)	14,500	4,115
Legal and professional charges	183,429	141,062
Donations (note 36)	80,250	78,000
Research and business development	129,954	25,784
Directors' fee, remuneration and travelling	479,594	144,807
Other expenses	31,798	23,134
	2,610,895	1,603,368

21.1 Salaries, wages and other staff welfare is net-off the amount recovered from subsidiaries amounting to Rs. 552,252 (2017: Rs. 316,090) in accordance with the shared service agreements.

21.2 Includes Rs.93,346 (2017: Rs. 91,595) in respect of staff retirement benefits.

21.3 Represents professional consultancy charges incurred under an agreement, for the development of human resource stratagies and the Engro Leadership Academy.

22. OTHER INCOME

	2018	2017
	Rupees	
Financial assets		
Income on deposits / other financial assets (note 22.1)	4,489,499	4,222,698
Non financial assets		
Service charges (note 22.2)	12,413	10,641
Gain on disposal of property, plant and equipment	174	-
Capital gain on disposal of investment in subsidiary company (note 7.1.2)	3,849,369	-
Reversal of provision for WWF (note 15.1)	204,229	-
Others	41,519	448
	8,597,203	4,233,787

22.1 Includes Rs. 356,984 (2017: Rs. 659,932) in respect of profit earned on Term Finance Certificates and subordinated loans to subsidiary companies.

22.2 Represent service charges recovered against corporate guarantees extended by the Company on behalf of subsidiary company.

(Amounts in thousand)

23. OTHER OPERATING EXPENSES

	2018	2017
	Rupees	
Auditors' remuneration (note 23.1)	3,373	16,876
Loss on disposal of property, plant and equipment	-	540
Professional tax	-	100
Provision for doubtful receivables	-	298,490
Charge against indemnity with subsidiary company (note 15.2)	338,837	-
Others (note 23.2)	52,000	14,796
	394,210	330,802

23.1 Auditors' remuneration

	2018	2017
Fee for:		
- audit of annual financial statements	550	500
- review of half yearly financial statements	230	210
- review of statement of compliance with Code of Corporate Governance	45	40
Certifications and other advisory / assurance services	1,160	6,475
Taxation services	721	9,110
Reimbursement of expenses	667	541
	3,373	16,876

23.2 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Company is required to pay FCP an amount equal to 51% of the sales tax receivable of Engro Foods Limited (EFoods), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by EFoods within six years after it is recognized. Accordingly, on prudence basis, the Company has recognized its liability under the SPA being 51% of the sales tax receivable pertaining to EFoods being sales tax short recovered till December 31, 2018.

24. FINANCE COST

	2018	2017
	Rupees	
Interest / mark-up on borrowings - Shariah compliance mode	135,000	338,364
Amortization of transaction costs	3,323	11,002
Others	10,521	8,462
	148,844	357,828

25. TAXATION

	2018	2017
	Rupees	
Current		
- for the year		
- Current charge	3,119,580	2,543,690
- provision for super tax (note 25.1)	375,636	-
	3,495,216	2,543,690
- for prior years:		
- provision for super tax (note 25.1)	512,857	2,354,637
- others	(62,191)	(462,190)
	450,666	1,892,447
	3,945,882	4,436,137
Deferred	10,154	(3,197)
	3,956,036	4,432,940

(Amounts in thousand)

25.1 Represents provision for 'Super Tax for rehabilitation of temporarily displaced persons', levied through Finance Act, 2018 retrospectively on the income for the financial year ended December 31, 2017 and 2018. The Company has challenged the levy in the High Court of Sindh and has been granted a stay in this respect. The Company, based on the opinion of its legal advisor, believes that there is a reasonable case in the Company's favour. However, based on prudence, the Company has made provision for Super Tax in these financial statements.

25.2 Consistent with the prior year, the Company has opted to be taxed as a single fiscal unit with its wholly owned subsidiaries (Engro Energy Limited and Engro Eximp Agriproducts (Private) Limited) for the year ended December 31, 2018. Accordingly, tax charge for the year has been computed in accordance with the requirements of section 59AA of the Income Tax Ordinance, 2001. During the year, the Company has filed group tax return under section 59AA of the Income Tax Ordinance, 2001 for the year ended December 31, 2017.

25.3 The Company has recognized tax provision in its financial statements amounting to Rs. 889,439, Rs.1,100,535 and Rs.4,898,327 for the years ended 2015, 2016 and 2017, respectively, whilst the tax assessed for these years is Rs. 1,484,904 Rs. 384,660 and Rs.1,742,951 (based on group tax return) respectively. Management has assessed that the tax provisions in the financial statements are sufficient.

25.4 In 2016, an amendment was introduced in the Income Tax Ordinance 2001 (the Ordinance) via the Finance Act 2016 which imposed tax on inter-corporate dividends, previously exempt to companies designated as a Group under section 59B of the Ordinance. The Company has challenged the application of the aforementioned amendment in the High Court of Sindh and has been granted a stay in this respect.

25.5 Following is the position of the Company's open tax assessments:

25.5.1 In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Company paid Rs. 53,250 thereagainst and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to the Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Company's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during 2016.

25.5.2 In 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs. 250,773 on similar grounds as above. The Company filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

25.5.3 During 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, the Company received notices of demand amounting to Rs. 105,955 and Rs. 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Company filed appeals thereagainst with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. During 2016, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted the Company's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. In 2017, the Company has reversed excess provision of Rs. 168,896 in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commisioner has maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". In response, the Company has filed an appeal challenging this contention and the Company is confident of favourable decision based on earlier ATIR judgment.

(Amounts in thousand)

25.5.4 During 2017, the income tax department, in respect of the tax year 2015, determined additional income tax liability of Rs. 128,400 raising a demand of Rs. 156,719, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax on exempt income and disallowed allocation of expenses against interest income. In response, the Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which was heard on May 22, 2018 but no order has been passed to date. The Company, based on advice of its tax consultant, is confident that these matters will be decided in favor of the Company. However, on prudence, the Company has recorded provision aganist super tax.

25.5.5 In 2017, the Additional Commissioner Inland Revenue (ACIR) amended the order for the year 2016 creating tax demand of Rs 1,484,903. This is mainly on account of tax levied on inter-corporate dividend, super tax and disallowance on account of allocation of expenses to dividend and capital gains. The Company filed an appeal before the Commissioner (Appeals) and also filed an application for rectification before the ACIR. The Commissioner (Appeals) while disposing of the Company's appeal maintained the order of ACIR with respect to certain issues which were further contested before the Appellate Tribunal Inland Revenue (ATIR). The hearing before the ATIR was held on June 4, 2018, however, the order has not yet been received.

The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084,733. Through the said order, the ACIR accepted the Company's contention relating to various matters except for allowing the expenses allocated to capital gains. The Company contested this matters in appeal before the CIR(A) who has recently maintained the order of ACIR. The Company is in process of filing an appeal before ATIR.

The Company, based on the advice of its tax consultant, is confident that these matters will be decided in favor of the Company. However, on prudence, the Company has recorded provision for super tax.

25.6 Relationship between tax expense and accounting profit

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the Company's applicable tax rate as follows:

	2018	2017
	Rupees	
Profit before tax	16,675,911	15,833,104
Tax calculated at the rate of 29% (2017: 30%)	4,836,014	4,749,931
Effect of Super tax of current year	375,636	-
Effect of applicability of lower tax rate on:		
- Dividend	(1,436,918)	(2,107,093)
- Capital gain	(279,079)	(97,395)
Prior year tax charge	450,666	1,892,447
Others	9,717	(4,950)
Tax charge for the year	3,956,036	4,432,940

26. EARNINGS PER SHARE

As at December 31, 2018, there is no dilutive effect on the basic earnings per share of the Company. Earnings per share is based on following:

	2018	2017
	Rupees	
Profit for the year	12,719,875	11,400,164
	(Number of shares)	
Weighted average number of ordinary shares (in thousand)	523,785	523,785

(Amounts in thousand)

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to chief executive, directors and executives of the Company are given below:

	2018			2017		
	Directors		Executives	Directors		Executives (note 27.4)
	Chief Executive	Others		Chief Executive	Others	
	Rupees					
Managerial remuneration	86,672	-	867,880	100,467	-	505,870
Retirement benefits funds	-	-	71,327	-	-	52,043
Fees	-	121,622	-	-	58,458	-
Directors emoluments	-	310,500	-	-	39,000	-
Other benefits	70	-	9,601	24	7,596	7,478
Total	86,742	432,122	948,808	100,491	105,054	565,391
Number of persons including those who worked part of the year	1	12	103	1	12	112

27.1 The Company also provides certain household items for use of some employees and Chief Executive. Cars are also provided for use of certain employees and directors. In addition, entertainment and security expenses are also incurred for directors.

27.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Company, amounts to Rs. 570 (2017: Rs. 514).

27.3 The above remuneration of executives is stated before accounting for the impact of recoveries from subsidiaries in accordance with the shared service agreements.

27.4 Corresponding figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

28. RETIREMENT BENEFITS

28.1 Defined benefit gratuity plan

The Company faces the following risks on account of its gratuity plan:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Company has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

In addition to above, the gratuity plan exposes the Company to longevity risk i.e. the members survive longer than the expectation used in determining the obligation.

28.2 Valuation results

The latest actuarial valuation of the defined benefit gratuity plan was carried out as at December 31, 2018, using the Projected Unit Credit Method. Details of the defined benefit plan are as follows:

28.2.1 Statement of financial position reconciliation

	Defined Benefit Gratuity Plan	
	2018	2017
	Rupees	
Present value of defined benefit obligation	73,787	77,464
Fair value of plan assets	(51,209)	(59,493)
Deficit / (Surplus)	22,578	17,971
Payable to defined contribution fund	374	374
Net liability recognized in the statement of financial position	22,952	18,345

28.2.2 Movement in net (asset) / liability recognized

	2018	2017
Net liability at beginning of the year	18,345	331
Charge for the year	4,516	3,166
Remeasurement loss recognized in Other comprehensive income	91	14,848
Net liability at end of the year	22,952	18,345

28.2.3 Movement in present value of defined benefit obligation

	2018	2017
As at beginning of the year	77,464	72,738
Current service cost	3,174	3,170
Interest cost	5,578	5,683
Remeasurement gain recognized in Other comprehensive income	(1,404)	(358)
Benefits paid during the year	(11,025)	(3,769)
As at end of the year	73,787	77,464

(Amounts in thousand)

28.2.4 Movement in fair value of plan assets

	Defined Benefit Gratuity Plan 2018	2017
	Rupees	
As at beginning of the year	59,493	72,781
Expected return on plan assets	4,237	5,687
Benefits paid during the year	(11,026)	(3,769)
Remeasurement loss recognized in Other comprehensive income	(1,495)	(15,206)
As at end of the year	51,209	59,493

28.2.5 Charge for the year

Current service cost	3,174	3,170
Net interest cost / (income)	1,342	(4)
	4,516	3,166

28.2.6 Actual return on plan assets

28.2.6 Actual return on plan assets	3,085	2,753

28.2.7 Principal actuarial assumptions used in the actuarial valuation

	%	
Discount rate	12.75	7.75
Expected per annum rate of return on plan assets	12.75	7.75
Expected per annum rate of increase in future salaries	12.75	7.75

28.2.8 Plan assets comprise of the following

	2018		2017	
	Rupees	%	Rupees	%
Fixed income instruments	33,763	66	42,331	72
Equity instruments	15,902	31	15,705	26
Others (including cash)	1,543	3	1,457	2
	51,208	100	59,493	100

28.2.9 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the reporting date.

(Amounts in thousand)

28.2.10 Historical information

	2018	2017	2016	2015	2014
	Rupees				
Present value of defined benefit obligation	(73,787)	(77,464)	(72,738)	(71,486)	(110,086)
Fair value of plan assets	51,209	59,493	72,781	54,889	114,071
Payable to Defined contribution gratuity fund	(374)	(374)	(374)	(374)	(374)
(Deficit) / Surplus	(22,952)	(18,345)	(331)	(16,971)	3,611

28.2.11 Expected future cost for the year ending December 31, 2019 is Rs. 5,784.

28.2.12 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan 2018	2017
	Rupees	
Gain/Loss from change in experience adjustments	1,404	(356)
Loss from change in financial assumptions	-	714
Remeasurement of obligation	1,404	358
Actual return on plan assets	3,085	2,753
Expected return on plan assets	(4,237)	(5,687)
Difference in opening fair value of plan assets	(343)	(12,272)
Remeasurement of plan assets	(1,495)	(15,206)
	(90)	(14,848)
Tax impact at 29% (2017: 30%)	26	4,454
Remeasurement of retirement benefit obligation - net of tax	(65)	(10,394)

28.2.13 Demographic assumptions

Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
Rate of employee turnover	Heavy	Heavy

(Amounts in thousand)

28.2.14 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Increase in Assumption	Decrease in Assumption
	Rupees	
Discount rate	71,489	76,217
Long term salary increases	76,195	71,469

28.2.15 Maturity profile

Time in years (Rupees)	Defined Benefit Gratuity Plan
1	12,792
2	2,664
3	43,083
4	1,334
5-10	52,656
11-15	35,281
16-20	-
Weighted average duration (years)	3.11

28.3 Defined contribution plans

An amount of Rs. 88,830 (2017: Rs. 60,716) has been charged during the year in respect of defined contribution plans maintained by the Company.

29. CASH UTILIZED IN OPERATIONS

	2018	2017
	Rupees	
Profit before taxation	16,675,911	15,833,104
Adjustment for non-cash charges and other items:		
Depreciation (note 21)	53,421	39,035
Amortization (note 21)	14,500	4,115
(Gain) / Loss on disposal of property, plant and equipment (notes 22 and 23)	(174)	540
Provision for retirement and other service benefits	107,468	94,389
Reversal of provision against WWF (note 22)	(204,229)	-
Income on deposits / other assets (note 22)	(4,543,431)	(4,233,787)
Capital gain on disposal of investments in subsidiaries (note 22)	(3,849,369)	-
Dividend income	(10,263,698)	(13,134,115)
Royalty income	(968,959)	(757,200)
Financial charges	148,844	357,828
Working capital changes (note 29.1)	108,601	(1,073,195)
	(2,721,115)	(2,869,286)

(Amounts in thousand)

29.1 Working capital changes

	2018	2017
	Rupees	
(Increase) / Decrease in current assets		
- Loans, advances, deposits and prepayments	(11,804)	(314,099)
- Other receivables (net)	(147,006)	196,474
	(158,810)	(117,625)
(Decrease) / Increase in current liabilities		
- Trade and other payables including other service benefits (net)	267,411	(955,570)
	108,601	(1,073,195)

30. CASH AND CASH EQUIVALENTS

	2018	2017
Short term investments (note 12)	52,576,868	35,175,797
Cash and bank balances (note 13)	1,609,160	810,916
	54,186,028	35,986,713

31. FINANCIAL INSTRUMENTS BY CATEGORY

	2018	2017
	Rupees	
Financial assets		
Loans and receivables		
Long term loans	49,796	32,425
Loans and advances	43,792	927,831
Receivables	483,774	555,881
Accrued interest / mark-up	353,503	456,972
Cash and bank balances	1,609,160	810,916
	2,540,025	2,784,025
Short term investments		
- Fair value through profit and loss	60,244,146	60,007,819
- Held to maturity	32,500	36,500
- Available for sale	4,211,910	3,872,260
	64,488,556	63,916,579
Financial liabilities		
Financial liabilities measured at amortized cost		
Trade and other payables	1,347,142	1,080,621
Accrued interest / mark-up	64,357	64,358
Borrowings	998,164	994,841
	2,409,663	2,139,820

(Amounts in thousand)

32. FINANCIAL RISK MANAGEMENT

32.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's Finance and Planning department under policies approved by the Senior Management.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has given guarantees in favour of its subsidiary companies amounting to US Dollars 10,000 (2017: US Dollars 177,078). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on post tax profit for the year is Nil.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk on balances maintained with banks and loans given to subsidiary companies.

As at December 31, 2018, if interest rate on bank accounts / loans given to subsidiary companies had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 7,144.

As at December 31, 2018, if interest rate on Treasury Bills had been 1% higher / lower with other variables held constant, post tax profit for the year would have been higher / lower by Rs. 660,268.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as all of its investments are in subsidiary and associated companies which are stated at cost.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

Credit risk arises from deposits with banks and financial institutions, loans and advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds and mutual fund securities is limited because counter parties are financial institutions with a reasonably high credit rating. The Company maintains an internal policy to place funds with commercial banks / mutual funds having a minimum short term credit rating of A1 / AM3.

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

(Amounts in thousand)

	2018	2017
	Rupees	
Long term loans	49,796	32,425
Loans and advances	43,792	927,831
Receivables	409,943	477,229
Accrued interest / mark-up	353,503	456,972
Short term investments	64,488,556	63,916,579
Bank balances	1,608,770	810,526
	66,954,360	66,621,562

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history, however, no losses incurred. The credit quality of Company's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Long Term	Short Term
Allied Bank Limited	PACRA	AAA	A1+
Askari Bank Limited	JCR-VIS	AA+	A-1+
Bank Al-Falah Limited	PACRA	AA+	A1+
Bank Al-Habib Limited	PACRA	AA+	A1+
Faysal Bank Limited	JCR-VIS	AA	A-1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
Habib Metropolitan Bank Limited	PACRA	AA+	A1+
JS Bank Limited	PACRA	AA-	A1+
MCB Bank Limited	PACRA	AAA	A1+
Meezan Bank Limited	JCR-VIS	AA +	A-1+
National Bank of Pakistan Limited	JCR-VIS	AAA	A-1+
Soneri Bank Limited	PACRA	AA-	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A1+
United Bank Limited	JCR-VIS	AAA	A-1+
Citi Bank N.A	Moody	A-1	P-1

c) Liquidity risk

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

These objectives are achieved by maintaining sufficient cash and marketable securities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

(Amounts in thousand)

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Trade and other payables	1,347,142	-	1,347,142	1,080,621	-	1,080,621
Accrued interest / mark-up	64,357	-	64,357	64,358	-	64,358
Borrowings	998,164	-	998,164	994,841	-	994,841
	2,409,663	-	2,409,663	2,139,820	-	2,139,820

32.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

	2018	2017
	Rupees	
The proportion of borrowings to equity at the year end was:		
Total Borrowings (note 16)	998,164	994,841
Total Equity	85,103,164	83,382,835
	86,101,328	84,377,676
Gearing ratio	1.16%	1.18%

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

32.3 Fair value estimation

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);

(Amounts in thousand)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	Rupees			
Assets				
Financial assets at fair value through profit or loss				
- Treasury Bills	-	52,544,368	-	52,544,368
- Pakistan Investment Bonds	-	7,699,778	-	7,699,778
Available for sale				
- Term finance certificates	-	4,211,910	-	4,211,910

Level 2 fair valued instruments comprise treasury bills, fixed income placement, Pakistan Investment Bonds and term finance certificates which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year. Further, there were no changes in the valuation techniques during the year.

33. CONTRIBUTORY RETIREMENT FUNDS

The investments out of the contributory retirement funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

34. NUMBER OF EMPLOYEES

	Number of employees as at		Average number of employees	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Management employees	129	121	125	99
Non-management employees	-	1	-	1
	129	122	125	100

(Amounts in thousand)

35. RELATED PARTIES

35.1 Following are the details of associated, undertakings and other related parties with whom the Company has arrangement / agreement or have during the year:

S.No	Name of Related Party	Direct Shareholding %	Relationship
1	Dawood Hercules Corporation Limited	37.22%	Holding Company
2	Engro Eximp Agriproducts (Private) Limited	100.00%	Subsidiary
3	Engro Energy Limited	100.00%	Subsidiary
4	Engro Infiniti (Private) Limited	100.00%	Subsidiary
5	Engro Fertilizers Limited	56.27%	Subsidiary
6	Engro Polymer and Chemicals Limited	56.19%	Subsidiary
7	Elengy Terminal Pakistan Limited	56.00%	Subsidiary
8	Engro Digital Limited	N/A	Indirect subsidiary
9	Engro Elengy Terminal (Private) Limited	N/A	Indirect subsidiary
10	Engro Eximp FZE	N/A	Indirect subsidiary
11	Engro Power Investments International B.V - Netherlands	N/A	Indirect subsidiary
12	Engro Powergen Qadirpur Limited	N/A	Indirect subsidiary
13	Engro Powergen Thar (Private) Limited	N/A	Indirect subsidiary
14	Engro Vopak Terminal Limited	50.00%	Joint Venture
15	Engro Foods Limited	39.90%	Associate Company
16	Engro Foundation	-	Associate Company
17	Sindh Engro Coal Mining Company Limited	-	Associate Company
18	Mr. Ghias Khan	N/A	Key Management Personnel
19	Mr. Hasnain Moochhala	N/A	Key Management Personnel
20	Mr. Faiz Chapra	N/A	Key Management Personnel
21	Mr. Hussain Dawood	0.69%	Director
22	Mrs. Kulsum Dawood	0.52%	Spouse of Director
23	Mr. Mohammad Abdul Aleem	N/A	Director
24	Mrs. Humera Aleem	N/A	Spouse of Director
25	Mr. Abdul Samad Dawood	N/A	Director
26	Mrs. Ayesha Dawood	N/A	Spouse of Director
27	Mr. Shahzada Dawood	0.43%	Director
28	Mr. Khawaja Iqbal Hassan	N/A	Director
29	Mr. Waqar Malik	N/A	Director
30	Ms. Henna Inam	N/A	Director
31	Mr. Rizwan Diwan	N/A	Director
32	Mr. Raihan Merchant	N/A	Director
33	Dawood Industries (Private) Limited	N/A	Common Directorship
34	Patek (Private) Limited	6.24%	Common Directorship
35	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
36	Inbox Business Technologies Private Limited	N/A	Common Directorship
37	Karachi School for Business & Leadership	N/A	Common Directorship
38	The Dawood Foundation	N/A	Common Directorship
39	Meezan Bank Limited	N/A	Common Directorship
40	Dawood Corporation Private Limited	0.60%	Common Directorship
41	Engro Corporation Provident Fund	N/A	Post Employement Benefits
42	Engro Corporation Limited DC Gratuity Fund	N/A	Post Employement Benefits
43	Engro Corporation Limited DC Pension Fund	N/A	Post Employement Benefits
44	Engro Corporation Limited DB Gratuity Fund	N/A	Post Employement Benefits

(Amounts in thousand)

35.2 Transactions with related parties

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2018	2017
	Rupees	
Parent Company		
Dividend paid	4,094,424	3,855,582
Reimbursements to Parent company	12,214	1,509
Subsidiary companies		
Purchases and services	1,068,787	611,451
Mark-up from subsidiaries	17,334	347,672
Disbursement of loan to subsidiaries	-	600,000
Repayment of loan by subsidiaries	896,542	6,560,000
Dividend received	8,971,267	8,858,356
Issuance of TFCs by subsidiary company	-	3,560,000
Unwinding of discount on TFCs	339,650	-
Royalty income	968,959	757,200
Reimbursements	772,480	352,333
Investments made	3,480,310	-
Associated companies		
Purchases and services	428,243	244,879
Dividend received	122,430	3,060,759
Donations	30,000	78,000
Interest on deposit	18	52
Reimbursements	53,845	40,333
Profit on Term Finance Certificates	18,118	-
Dividend paid	759,137	671,225
Joint venture		
Services rendered	51,905	13,242
Dividend received	1,170,000	1,215,000
Reimbursements	13,778	7,726
Others		
Remuneration of key management personnel	338,281	278,316
Reimbursements to key management personnel	20,871	13,857
Dividend paid	178,991	142,963
Profit on Engro Rupiya Certificates	-	38,612
Contribution to staff retirement benefit funds	82,650	61,768
Directors' Fee	121,622	58,458
Directors' Emoluments	310,500	39,000

(Amounts in thousand)

35.3 Details of subsidiaries companies incorporated outside Pakistan with whom the Company had transaction or arrangements in place are as follows:

	Engro Power International Holding B.V. (EPIH)	Engro Eximp FZE (EEF)
Registered address	Blaak 40, 3011 TA Rotterdam, Netherlands	BCW JAFZA 18 & 19, Office No 110, UAE
Country of incorporation	Netherlands	UAE
Chief Executive Officer	Robert - Jan - Vgrut	Ruhail Mohammed
% of holding of ECORP	100% (indirect)	100% (indirect)

36. DONATIONS

36.1 Donations include the following in which directors are interested:

Name of Director	Interest in Donee	Name of Donee	2018	2017
			Rupees	
Hussain Dawood	Chairman, Board of Governors	Karachi School of Business &		
Muneer Kamal	Director	Leadership	-	30,000
Ghias Khan	Chairman, Board of Trustees	Engro Foundation	30,000	48,000

36.2 The name of donees to whom donation amount exceeds Rs. 500 are:

Name of Donees	2018	2017
Supreme Court of Pakistan Diamer Basha Dam Fund	50,000	-
Engro Foundation	30,000	48,000
Karachi School of Business and Leadership	-	30,000
	80,000	78,000

37. NON-ADJUSTING EVENT AFTER REPORTING DATE

37.1 The Board of Directors of Engro Polymer & Chemicals Limited, a subsidiary company, in its meeting held on January 31, 2019 has proposed a final cash dividend of Rs. 0.30 per share for the year ended December 31, 2018, amounting to Rs.272,677 of which the proportionate share of the Company amounts to Rs. 153,220.

37.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 14, 2019 has proposed a final cash dividend of Rs. 6.00 per share for the year ended December 31, 2018, amounting to Rs. 540,000 of which the proportionate share of the Company amounts to Rs. 270,000.

(Amounts in thousand)

37.3 The Board of Directors of Engro Fertilizers Limited, a subsidiary company, in its meeting held on February 8, 2019 has proposed a final cash dividend of Rs. 3 per share for the year ended December 31, 2018, amounting to Rs. 4,005,898 of which the proportionate share of the Company amounts to Rs. 2,253,936.

These financial statements do not include the effects of the aforementioned dividend income, which will be accounted for in the financial statements for the year ending December 31, 2019 once the proposed dividends are approved in the Annual General Meetings of respective companies.

37.4 The Board of Directors of the Company in its meeting held on February 19, 2019 has proposed to issue bonus shares in the proportion of 10 shares for every 100 shares held, in addition to a final cash dividend of Rs. 2 per share for the year ended December 31, 2018 amounting to Rs. 1,047,570 for approval of the members at the Annual General Meeting to be held on April 24, 2019.

These financial statements do not include the effect of the proposed dividend and bonus shares, which will be accounted for in the financial statements for the year ending December 31, 2019.

38. CORRESPONDING FIGURES

38.1 Corresponding figures and balances have been rearranged and reclassified, whereever necessary, for the purpose of comparison, the effects of which are not material.

38.2 Under the Companies Act, 2017 the definition of ‘executives’ has been revised. As a result, comparative figures have been restated to reflect the said change.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 19, 2019 by the Board of Directors of the Company.

Abdul Samad Dawood Vice Chairman	Hasnain Moochhala Chief Financial Officer	Ghias Khan President and Chief Executive

consolidated accounts

- independent auditor’s report
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independent auditor's report

To the members of Engro Corporation Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **Engro Corporation Limited and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at **December 31, 2018,** and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S.No.	Key audit matters	How the matter was addressed in our audit
1.	**First time application of Fourth Schedule to the Companies Act, 2017** (Refer note 3.1.2 to the consolidated financial statements). The Fourth Schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of the annual consolidated financial statements. As part of transition to the requirements, management performed an analysis to identify differences between the previous and the current Fourth Schedules and as a result certain amendments relating to presentation and disclosures were made in the consolidated financial statements. In view of the various new disclosures prepared and presented in the consolidated financial statements, we considered this a key audit matter.	Our audit procedures amongst others included the following: - reviewing and obtaining understanding of the requirements of the Fourth Schedule to the Companies Act, 2017; - considering the management's process of identifying the additional disclosures required in the Group's annexed consolidated financial statements; - obtaining relevant underlying supports for the additional disclosures and assessed their appropriateness for sufficient audit evidence; and - verifying on test basis supporting evidence for the additional disclosures and ensuring appropriateness of the disclosures made.

S.No.	Key audit matters	How the matter was addressed in our audit
2.	**Income tax matters** (Refer notes 25 and 34 to the consolidated financial statements). The Group has recognized provisions and has disclosed contingent liabilities in respect of certain income tax and sales tax matters, which are pending adjudication before various appellate and legal forums. Provisions and contingencies require management of the Group to make judgements and estimates in relation to the interpretation of laws, statutory rules, regulations, and the probability of outcome and financial impact, if any, on the Group in respect of such provisions and contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of these matters and use of significant management judgement and estimates to assess the same including related financial impacts, we have considered provisions and contingent liabilities relating to income tax and sales tax a key audit matter.	Our audit procedures amongst others included the following: - obtaining and reviewing details of the pending tax matters and discussed the same with the Group's management; - circularizing confirmations to the Group's external legal and tax counsels for their views on matters being handled by them; - involving internal tax professionals to assess management's conclusions on contingent tax matters and evaluating the consistency of such conclusions with the views of management and external tax advisors engaged by the Group; - reviewing correspondence of the Group with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; - checking mathematical accuracy of the calculations underlying the provisions, if any; and - reviewing the adequacy of the disclosures made by the Group with regard to the applicable accounting and reporting standards.
3.	**Provision in respect of Gas Infrastructure Development Cess (GIDC)** (Refer note 22 to the consolidated financial statements). The Group maintains a provision in respect of Gas Infrastructure Development Cess (GIDC) amounting to Rs. 12,576.4 million as at December 31, 2018 in respect of its Fertilizer segment. Further, the Group maintains GIDC provision of Rs. 4,121.4 million as at December 31, 2018 in respect of its Polymer segment which denotes provision for GIDC on captive power plants prior to the promulgation of the GIDC Ordinance, 2015 of Rs. 592.125 million and provision for both industries and captive power plant recorded subsequently. The Group has obtained ad-interim stay orders against the GIDC Act, 2015 from the Sindh High Court which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case Peshawar High Court passed a judgment on May 31,	Our audit procedures amongst others included the following: - obtaining an understanding of the background facts pertaining to provision recorded in respect of GIDC through meetings with the management and review of the minutes of the meetings of those charged with governance; - reading correspondence of the Group with the regulatory authorities and the Group's external legal counsel; - obtaining confirmation from external legal counsel in respect of the current developments in the case including their assessment of the potential outcome of the matter; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the consolidated financial statements in accordance with the accounting and reporting standards.

S.No.	Key audit matters	How the matter was addressed in our audit
	2012 validating the new GIDC Act, against which the Group has filed a petition in the Supreme Court of Pakistan. The management believes that the provision recorded as at December 31, 2018 in respect of GIDC represents the management's current best estimate of the amounts. Given the nature and significance of the amounts involved in the aforementioned case and the legal forum at which this matter is currently pending, the ultimate outcome and the resultant accounting in the consolidated financial statements is subject to the exercise of significant judgement which may change over time as new facts emerge and the legal case progresses. Therefore, we have considered this as a key audit matter.	
4.	**Capitalization of Property, plant and equipment** (Refer note 5 to the consolidated financial statements). During the year ended December 31, 2018, the Group's Polymer segment has incurred a significant amount of capital expenditure in respect of various expansion projects in order to enhance the production capacity. The incurrence of capital expenditure involves the assessment of appropriateness of costs capitalised in this respect and the determination of costs that meet the criteria for capitalisation under the accounting and reporting standards. As capital expenditure incurred during the year constitutes a significant amount and involves significant judgemental areas such as the capitalization of elements of eligible cost components as per applicable accounting and reporting standards, we considered this a key audit matter.	Our audit procedures included the following: - obtaining an understanding of the Group's process with respect to capital expenditure incurred and testing controls relevant to such process; - testing the cost capitalized with the relevant underlying documentation; - assessing the nature of capitalized costs to ensure whether assets capitalized meet the recognition criteria set out in IAS 16; - assessing the useful lives assigned by the management including testing the calculation of related depreciation; - validating the existence of capitalized assets through physical verification on a sample basis; and - reviewing adequacy of the disclosures made by the Group with regard to applicable accounting and reporting standard.
5.	**Deferred tax asset** (Refer note 8 to the consolidated financial statements). The Group holds a deferred tax asset of Rs. 5,400.82 million on recoupable carry forward losses, minimum turnover taxes and Alternative Corporate Tax.	Our audit procedures amongst others included the following: - obtained understanding of management's process of preparation of forecast profitability, tax liability and deferred tax calculation;

S.No.	Key audit matters	How the matter was addressed in our audit
	The recognition of deferred tax asset is dependent on management's best estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. This process relies on the assessment of the Group's profitability forecast, which in turn is based on assumptions concerning future economic conditions and business performance. As preparing of profitability forecast and assessment of realisability of recognized deferred tax asset requires significant management judgement, we considered this a key audit matter.	- discussed with the management, significant underlying assumptions used in preparing the profitability forecast and assessed the same for reasonableness; - checked appropriateness of tax rates applied in view of the local tax legislation; - checked mathematical accuracy of calculations; and - reviewed and evaluated related disclosures in the financial statements.
6.	**Provision against investment in Engro Vopak Terminal Limited (EVTL)** (Refer note 7 of the consolidated financial statements). Cases, of EVTL, from tax year 2003 to tax year 2011 to determine as to whether its income is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court (HSC) and the Sindh High Court (SHC). The potential financial exposure of EVTL in this respect amounts to approximately Rs. 4,462.12 million, as at December 31, 2018. On the basis of prudence, based on the legal advice and after taking into consideration the judgement of the courts in similar cases for certain other companies, the Group has recognized its share of provision for aforementioned potential taxation liability against carrying value of Rs. 1,355.68 million of its investment in EVTL in the consolidated financial statements to the extent of it being 'Nil' and the balance amount of Rs. 875.38 million has been recognized as a provision depicting constructive obligation of the Group to bear the potential exposure. Due to the significance of the amounts involved and involvement of significant management judgement in the determination of provision for the potential tax liability we have considered this a key audit matter.	Our audit procedures amongst others included the following: - obtaining understanding of and assessing the rationale behind the accounting treatment of the potential tax liability in the consolidated financial statements of the Group; - obtaining confirmation from external legal counsel of the Group in respect of the current developments in the case including their assessment of the potential outcome of the matter; - reviewing minutes of the meetings of the Board of Directors of EVTL and that of Engro Corporation Limited, to determine the rationale of decisions taken therein in respect of this matter and to determine the basis of the constructive obligation; and - assessing the adequacy of provisioning based on the advice of the legal counsel and the appropriateness of related disclosures made in the financial statements in accordance with the accounting and reporting standards.

Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing The Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Waqas Aftab Sheikh.

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Date: March 22, 2019

consolidated statement of financial position
as at december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	204,408,878	157,355,119
Intangible assets	6	317,539	252,852
Long term investments	7	31,590,380	32,195,681
Deferred taxation	8	384,612	23,765
Long term loans, advances and other receivables	9	4,092,566	6,809,735
		240,793,975	196,637,152
Current Assets			
Stores, spares and loose tools	10	7,687,869	7,638,801
Stock-in-trade	11	17,228,278	13,065,877
Trade debts	12	18,629,468	13,641,538
Loans, advances, deposits and prepayments	13	3,170,670	2,012,582
Other receivables	14	11,447,568	10,899,951
Accrued income		524,809	528,242
Short term investments	15	81,791,320	69,878,637
Cash and bank balances	16	11,880,811	9,557,587
		152,360,793	127,223,215
TOTAL ASSETS		393,154,768	323,860,367

(Amounts in thousand)	Note	2018	2017
		Rupees	
EQUITY & LIABILITIES			
Equity			
Share capital	17	5,237,848	5,237,848
Share premium		13,068,232	13,068,232
Revaluation reserve on business combination		23,082	33,284
Maintenance reserve	18	156,301	156,301
Exchange revaluation reserve		395,605	82,112
Hedging reserve		(24,969)	(68,921)
General reserve		4,429,240	4,429,240
Unappropriated profit		113,100,747	108,586,694
Remeasurement of post-employment benefits		(71,092)	(69,056)
		131,077,146	126,217,886
		136,314,994	131,455,734
Non-Controlling Interest		49,272,245	39,618,743
Total Equity		185,587,239	171,074,477
Liabilities			
Non-Current Liabilities			
Borrowings	19	121,110,471	78,350,858
Deferred taxation	8	8,428,363	10,682,715
Deferred liabilities	21	259,786	224,263
		129,798,620	89,257,836
Current Liabilities			
Trade and other payables	22	50,371,278	36,216,878
Accrued interest / mark-up	23	2,242,686	1,461,114
Current portion of:			
- borrowings	19	10,315,924	12,392,265
- deferred liabilities	21	113,852	103,235
Taxes payable		7,642,916	2,261,756
Short term borrowings	24	6,641,207	10,085,382
Dividend payable		25,683	13,688
Unclaimed dividends		415,363	993,736
		77,768,909	63,528,054
Total Liabilities		207,567,529	152,785,890
Contingencies and Commitments	25		
TOTAL EQUITY & LIABILITIES		393,154,768	323,860,367

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Abdul Samad Dawood Vice Chairman	Hasnain Moochhala Chief Financial Officer	Ghias Khan President and Chief Executive

consolidated statement of profit or loss
for the year ended december 31, 2018

(Amounts in thousand except for earnings per share)	Note	2018	2017
		Rupees	
Revenue	26	171,568,238	128,592,511
Cost of revenue	27	(120,459,766)	(93,786,270)
Gross profit		51,108,472	34,806,241
Selling and distribution expenses	28	(8,488,256)	(7,850,236)
Administrative expenses	29	(5,594,326)	(3,954,380)
Other income	30	9,147,368	10,488,895
Other operating expenses	31	(4,421,632)	(2,401,254)
Operating profit		41,751,626	31,089,266
Finance cost	32	(5,453,221)	(5,130,635)
Share of income from joint venture and associates	33	128,647	1,463,095
Profit before taxation		36,427,052	27,421,726
Taxation	34	(12,795,319)	(11,131,979)
Profit for the year		23,631,733	16,289,747
Profit attributable to:			
- Owners of the Holding Company		12,707,526	9,407,085
- Non Controlling Interest		10,924,207	6,882,662
		23,631,733	16,289,747
Earnings per share - basic and diluted	35	24.26	17.96

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of comprehensive income
for the year ended december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
Profit for the year		23,631,733	16,289,747
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Hedging reserve - cash flow hedges			
Profit arising during the year		63,028	16,964
Less: Reclassification adjustments for loss / (profit) included in statement of profit or loss		(874)	4,953
		62,154	21,917
Revaluation reserve on business combination		(21,004)	(21,004)
Exchange differences on translation of foreign operations		456,596	98,001
		497,746	98,914
Less: Income tax relating to:			
Hedging reserve - cash flow hedges		-	(632)
Revaluation reserve on business combination		6,721	6,721
		6,721	6,089
Items that will not be reclassified to profit or loss			
- Remeasurement of post employment benefits obligation - Actuarial gain / (loss)		2,582	(40,769)
Less: Income tax relating to remeasurement of post employment benefits obligation		(749)	9,706
		1,833	(31,063)
Other comprehensive income for the year, net of tax		506,300	73,940
Total comprehensive income for the year		24,138,033	16,363,687
Total comprehensive income attributable to:			
- Owners of the Holding Company		13,056,362	9,446,641
- Non Controlling Interest		11,081,671	6,917,046
		24,138,033	16,363,687

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of changes in equity for the year ended december 31, 2018

(Amounts in thousand)

	Attributable to owners of the Holding Company										Non Controlling Interest	Total
		Reserves										
		Capital reserves				Revenue reserves						
	Share capital	Share premium	Revaluation reserve on business combination	Maintenance reserve (note 18)	Exchange revaluation reserve	Hedging reserve	General reserve	Unappro-priated Profit	Remeasurement of post employment benefits - Actuarial (loss) / income	Sub Total		
	Rupees											
Balance as at January 1, 2017	5,237,848	13,068,232	43,486	156,301	15,767	(83,397)	4,429,240	111,008,100	(38,154)	133,837,423	35,253,333	169,090,756
Total comprehensive income for the year ended December 31, 2017												
Profit for the year	-	-	-	-	-	-	-	9,407,085	-	9,407,085	6,882,662	16,289,747
Other comprehensive income	-	-	(10,202)	-	66,345	14,476	-	(161)	(30,902)	39,556	34,384	73,940
	-	-	(10,202)	-	66,345	14,476	-	9,406,924	(30,902)	9,446,641	6,917,046	16,363,687
Transactions with owners												
Share issued to IFC by subsidiary company	-	-	-	-	-	-	-	221,601	-	221,601	74,792	296,393
Shares issued during the period and shares issuance cost accounted for as a deduction from equity	-	-	-	-	-	-	-	(2,878)	-	(2,878)	563,025	560,147
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	2,111,264	2,111,264
Preference shares issued	-	-	-	-	-	-	-	-	-	-	499,510	499,510
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(5,800,227)	(5,800,227)
Final cash dividend for the year ended December 31, 2016 @ Rs.4.00 per share	-	-	-	-	-	-	-	(2,095,140)	-	(2,095,140)	-	(2,095,140)
First Interim cash dividends for the year ended December 31, 2017 @ Rs.5.00 per share	-	-	-	-	-	-	-	(2,618,925)	-	(2,618,925)	-	(2,618,925)
Second interim cash dividend for the year ended December 31, 2017 @ Rs.7.00 per share	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
Third interim cash dividend for the year ended December 31, 2017 @ Rs.7.00 per share	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
	-	-	-	-	-	-	-	(11,828,330)	-	(11,828,330)	(2,551,636)	(14,379,966)
Balance as at December 31, 2017	5,237,848	13,068,232	33,284	156,301	82,112	(68,921)	4,429,240	108,586,694	(69,056)	131,455,734	39,618,743	171,074,477
Total comprehensive income for the year ended December 31, 2018												
Profit for the year	-	-	-	-	-	-	-	12,707,526	-	12,707,526	10,924,207	23,631,733
Other comprehensive income	-	-	(10,202)	-	313,493	43,952	-	(928)	2,521	348,836	157,464	506,300
	-	-	(10,202)	-	313,493	43,952	-	12,706,598	2,521	13,056,362	11,081,671	24,138,033
Transactions with owners												
Issuance of rights shares of subsidairy company	-	-	-	-	-	-	-	-	-	-	2,331,153	2,331,153
Share issuance cost	-	-	-	-	-	-	-	(13,174)	-	(13,174)	-	(13,174)
Advance against issue of share capital	-	-	-	-	-	-	-	-	-	-	1,997,646	1,997,646
Reclassification of acturial gain on withdrawal of gratuity scheme	-	-	-	-	-	-	-	4,557	(4,557)	-	-	-
Disposal of subsidiary company	-	-	-	-	-	-	-	2,815,554	-	2,815,554	1,520,229	4,335,783
Dividend by subsidiaries allocable to Non-Controlling interest	-	-	-	-	-	-	-	-	-	-	(7,277,197)	(7,277,197)
Final cash dividend for the year ended December 31, 2017 @ Rs. 2.00 per share	-	-	-	-	-	-	-	(1,047,570)	-	(1,047,570)	-	(1,047,570)
1st Interim cash dividends @ Rs.5.00 per share for the year ending December 31, 2018	-	-	-	-	-	-	-	(2,618,924)	-	(2,618,924)	-	(2,618,924)
2nd Interim cash dividends @ Rs.7.00 per share for the year ending December 31, 2018	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
3rd Interim cash dividends @ Rs.7.00 per share for the year ending December 31, 2018	-	-	-	-	-	-	-	(3,666,494)	-	(3,666,494)	-	(3,666,494)
	-	-	-	-	-	-	-	(8,192,545)	(4,557)	(8,197,102)	(1,428,169)	(9,625,271)
Balance as at December 31, 2018	5,237,848	13,068,232	23,082	156,301	395,605	(24,969)	4,429,240	113,100,747	(71,092)	136,314,994	49,272,245	185,587,239

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

consolidated statement of cash flows for the year ended december 31, 2018

(Amounts in thousand)	Note	2018	2017
		Rupees	
Cash flows from operating activities			
Cash generated from operations	38	47,679,811	33,884,546
Retirement and other service benefits paid		(259,468)	(222,561)
Financial charges paid		(8,588,225)	(5,889,678)
Taxes paid		(9,793,153)	(6,657,404)
Long term loans and advances - net		(99,207)	5,515
Net cash generated from operating activities		28,939,758	21,120,418
Cash flows from investing activities			
Purchases of property, plant & equipment and intangible assets		(36,579,545)	(29,883,044)
Sale proceeds on disposal of property, plant & equipment		40,829	743,014
Investment in associated company		(226,640)	(299,657)
Investments made during the year - net		16,343,820	12,248,757
Income on deposits / other financial assets		9,271,865	3,906,821
Deposit in respect of bank guarantees		(1,223,401)	-
Dividends received		1,292,430	4,275,759
Net cash utilized in investing activities		(11,080,642)	(9,008,350)
Cash flows from financing activities			
Proceeds / Repayments of borrowings - net		28,740,361	18,210,646
Proceeds from issuance of shares		-	1,067,874
Issuance of right shares to Non-controlling interest, net of share issuance cost		4,315,625	2,103,047
Repayments of short term finance		-	(1,100,000)
Dividends paid		(18,843,057)	(17,096,051)
Net cash generated from financing activities		14,212,929	3,185,516
Net increase in cash and cash equivalents		32,072,045	15,297,584
Cash and cash equivalents at beginning of the year		38,852,051	23,442,771
Effects of exchange rate changes on cash and cash equivalents		715,542	111,696
Cash and cash equivalents at end of the year	39	71,639,638	38,852,051

The annexed notes from 1 to 54 form an integral part of these consolidated financial statements.

Abdul Samad Dawood	Hasnain Moochhala	Ghias Khan
Vice Chairman	Chief Financial Officer	President and Chief Executive

(Amounts in thousand)

1. LEGAL STATUS AND OPERATIONS

1.1 Engro Corporation Limited (the Holding Company), is a public listed company incorporated in Pakistan and its shares are quoted on Pakistan Stock Exchange Limited. The Holding Company is a subsidiary of Dawood Hercules Corporation Limited (the Parent Company). The principal activity of the Holding Company, is to manage investments in subsidiary companies, associated companies and joint venture, engaged in fertilizers, PVC resin manufacturing and marketing, food, energy, LNG and chemical terminal and storage businesses.

The business units of the Holding Company and its subsidiaries include the following:

Business Unit	Geographical Location
Head / Registered offices	
- The Holding Company	7th and 8th floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi
- Engro Fertilizers Limited	7th and 8th Floors, The Harbour Front Building, Plot Number HC-3, Block 4, Scheme Number 5, Clifton, Karachi
- Engro Polymer and Chemicals Limited	12th Floor, Ocean Tower, G-3, Block 9, Clifton, Khayaban-e-Iqbal, Karachi
- Elengy Terminal Pakistan Limited	4th Floor, Corporate Offices Block, Dolmen City, Plot Number HC-3, Block 4, Clifton, Karachi
- Engro Energy Limited	16th Floor, Harbour Front Building, Plot Number HC-3, Marine Drive, Block 4, Scheme No. 5, Clifton, Karachi
- Engro Eximp Agriproducts (Private) Limited	8th Floor, Harbor Front Building, Plot Number HC-3, Block 4, Scheme No. 5, Clifton, Karachi.
- Engro Infiniti (Private) Limited	8th Floor, the Harbor Front Building, HC-3, Block 4, Clifton, Karachi
Regional offices	
- The Holding Company	22 Floor, Ufone Tower Jinnah Avenue, Blue Area, Islamabad
- Engro Polymer and Chemicals Limited	1st Floor, 38 Z Block, Commercial Area, Phase III, DHA, Lahore
Manufacturing plants	
- Engro Fertilizers Limited	- Distric Ghotki, Sindh - EZ/ 1 / P – 1 – II Eastern Zone, Port Qasim, Karachi
- Engro Polymer and Chemicals Limited	EZ/I/P-II-I Eastern Zone, Port Bin Qasim Industrial Area, Karachi, Pakistan
- Engro Eximp Agriproducts (Private) Limited	13-Km Muridke Sheikhupura Road Muridke., Muridke, 54800, Pakistan
Power Plants	
- Engro Energy Limited	- Thar Block II, Islamkot District, Sindh - Deh Belo Sanghari, Ghotki, Sindh
Terminal - Elengy Terminal Pakistan Limited	Plot # OZ-I-P-81, South Western Zone, Berth no. 13, Port Qasim Karachi

(Amounts in thousand)

1.2 The "Group" consists of:

Holding Company: Engro Corporation Limited;

Associated Companies: Associated companies are entities over which the Group has significant influence but not control.

Subsidiary Companies: Companies in which the Holding Company owns over 50% of voting rights, or companies directly controlled by the Holding Company:

	Percentage of direct shareholding 2018	2017
- Engro Energy Limited (note 1.3.1)	100	100
- Engro Eximp Agriproducts (Private) Limited (note 1.3.2)	100	100
- Engro Infiniti (Private) Limited (note 1.3.3)	100	100
- Elengy Terminal Pakistan Limited (note 1.3.4)	56	80
- Engro Fertilizers Limited (note 1.3.5)	56.27	56.27
- Engro Polymer and Chemicals Limited (note 1.3.6)	56.19	56.19
Joint Venture Company:		
- Engro Vopak Terminal Limited (note 1.3.7)	50	50
Associated Company:		
- Engro Foods Limited (note 1.3.8)	39.9	39.9

1.3 Subsidiary companies

1.3.1 Engro Energy Limited

Engro Energy Limited (EEL), a wholly owned subsidiary of the Holding Company, is a public unlisted company incorporated in Pakistan. It is established with the primary objective to analyze potential opportunities in the power sector and undertake Independent Power Projects (IPPs) based on feasibilities of new ventures.

Following are the companies in which EEL owns 50% or more of the voting rights or are directly controlled by EEL:

	Percentage of shareholding 2018	2017
- Kolachi Portgen (Private) Limited (note 1.3.1.1)	100	100
- Engro Power International Holding B.V. (EPIH B.V.) (note 1.3.1.2)	100	100
- Engro Power Services Limited (note 1.3.1.3)	100	100
- Engro Energy Services Limited (note 1.3.1.4)	100	-
- Engro Powergen Qadirpur Limited (note 1.3.1.5)	68.89	68.89
- Engro Powergen Thar (Private) Limited (note 1.3.1.6)	50.10	50.10

Following are associated companies of EEL in which it holds direct shareholding:

	Percentage of direct holding 2018	2017
- GEL Utility Limited (note 1.3.1.7)	45	45
- Sindh Engro Coal Mining Company Limited (note 1.3.1.8)	11.91	11.91
- Pakistan Energy Gateway Limited (note 1.3.1.9)	33.33	-
- Siddiqsons Energy Limited (note 1.3.1.10)	19	-

(Amounts in thousand)

1.3.1.1 Kolachi Portgen (Private) Limited has been established and incorporated in Pakistan with the objective to operate and own a Regasified Liquefied Natural Gas (RLNG) based power generation plant.

1.3.1.2 Engro Power International Holding B.V. (EPIH), a private limited company, has been established in Rotterdam, Netherlands with the objective to incorporate, participate, manage and supervise business and companies. EPIH has two wholly owned subsidiaries namely Engro Power Services Holding B.V. (EPSH) and Engro Power Investments International B.V. (EPII) both based in Netherlands.

1.3.1.3 Engro Power Services Limited (EPSL), a private limited company, has been established in Nigeria with the objective to carry on business as power generating, transmission, distribution and servicing company. EPSL is currently providing Operations and Maintenance (O&M) services to a Captive Power Plant located in a refinery within Nigeria. The agreement of providing O&M services was entered into by EEL. EPSL is acting as an agent of EEL to discharge its obligations under the agreement.

1.3.1.4 Engro Energy Services Limited (EESL) was established as a wholly owned subsidiary of EEL on June 01, 2018 with the objective to undertake the business of rendering services to power plants.

1.3.1.5 Engro Powergen Qadirpur Limited (EPQL) is a public listed company incorporated in Pakistan with the primary objective to undertake the business of power generation, distribution, transmission and sale. EPQL completed construction and testing of its 217.3 MW combined cycle power plant and has commenced commercial operation on March 27, 2010. The electricity generated is transmitted to the National Transmission and Dispatch Company (NTDC) under the Power Purchase Agreement (PPA) dated October 26, 2007, valid for a period of 25 years.

1.3.1.6 Engro Powergen Thar (Private) Limited (EPTPL), a private limited company, has been established and incorporated in Pakistan. The principal operations of EPTPL is to carry out the business of power generation, distribution, transmission and sale of electricity. EPTPL has been formed for the purpose of the development of 2 x 330 MW mine mouth power plants at Thar Block II, Sindh.

As at December 31, 2018, EEL holds 50.10% (2017: 50.10%) of the issued capital of EPTL while the balance shares are held by CMEC Thar Power Investment Limited (35%), Habib Bank Limited (9.5%) and Liberty Mills Limited (5.4%).

1.3.1.7 GEL is a private limited company in Nigeria with the objective of generation and distribution of energy, power and other related services and has undertaken a project of 72 MW triple redundancy captive power plant, which commenced commercial operations from November 21, 2014. EEL holds 12,272,727 ordinary shares of Naira 1 each in GEL representing a 45% (2017: 45%) equity stake.

1.3.1.8 Sindh Engro Coal Mining Company Limited (SECMC) was formed under a Joint Venture Agreement (JVA), dated September 8, 2009, between the Government of Sindh(GoS), EEL and the Holding Company. The aforementioned JVA is consequent to the selection of SECMC as GoS's joint venture partner, through an International Competitive Bidding process, for the development, construction and operations of an open cast lignite mine in Block-II of Thar Coal Field, Sindh (the Project). During the year, EEL acquired and additional 40,829,133 ordinary shares (2017: 9,773,413) of SECMC while maintaining its percentage of Holding in SECMC as at December 31, 2018 at 11.91% (2017: 11.91%).

1.3.1.9 During the year, EEL together with certain other entities incorporated "Pakistan Energy Gateway Limited (PEGL)" for the purpose of developing a private integrated LNG terminal for import, storage and regassfication of LNG in which EEL holds a 33.33% shareholding as at December 31, 2018.

1.3.1.10 During the year, EEL entered into a Joint Venture Agreement (JVA), with two other companies for the joint development of approximately 330 MW coal - fired power generation facility in Thar Coal Block - II, District Tharparkar, Sindh through a joint venture company, Siddiqsons Energy Limited (SEL). As per the terms of the JVA, EEL was initially required to have a shareholding equal to 19% in its capacity as the subscribing member of SEL. In this respect, EEL has paid Rs. 262,000 against the issuance of 26,267,639 ordinary shares constituting the required 19% of the share capital of SEL.

(Amounts in thousand)

1.3.2 Engro Eximp Agriproducts (Private) Limited

Engro Eximp Agriproducts (Private) Limited (EEAPL) is a private limited company, incorporated in Pakistan. The principal activity of the EEAPL is to produce, manufacture and trade all kinds of raw, processed and prepared food products including agriculture, dairy and farming products. EEAPL has set up a rice processing plant in District Shaikhupura, which commenced commercial production in 2011.

1.3.3 Engro Infiniti (Private) Limited

In 2017, Engro Infiniti (Private) Limited, (EInfiniti) was incorporated as a wholly owned subsidiary. 'The primary objective of EInfiniti is to analyze potential opportunities inside and outside Pakistan and to make available digital assets and ventures related to intellectual capital, data collection and analytics of every kind and any activities relating to or ancillary thereto. The implementation of the primary objective is carried out through EInfiniti's wholly owned subsidiary Engro Digital Limited (EDigital) also incorporated in 2017. During the year, EInfiniti has also made investment in Enfrashare (Private) Limited which is principally engaged in buying, building, maintaining, operating telecommunication infrastructure, any products, by products and any activities relating to or ancillary thereto.

During the year, The Holding Company has made investments in EInfiniti through:

- subscription of 100,000 ordinary shares of Rs. 10 each at par;
- subscription of 53,140 ordinary shares of Rs. 10 each at a premium of Rs. 9,990 per share; and
- payment of advance against subscription of 40,000,000 ordinary shares of Rs. 10 each, the shares in respect thereof shall be issued after completion of legal formalities.

1.3.4 Elengy Terminal Pakistan Limited

Elengy Terminal Pakistan Limited (ETPL), is a public unlisted company, incorporated in Pakistan. The principal business of ETPL is to establish and operate a terminal for handling, re-gasification, storage, treatment and processing, along with import, export and trading, of Liquefied Natural Gas (LNG), Re-gasified Liquefied Natural Gas (RLNG), Liquid Petroleum Gas (LPG), Natural Gas Liquid (NGL) and all other related liquids, gases and chemical and petroleum products. Engro Elengy Terminal (Private) Limited (EETPL) is a wholly owned subsidiary of ETPL.

During the year, on July 20, 2018, the Holding Company executed a Share Purchase Agreement (SPA) with Vopak LNG Holding B.V. (the buyer) in respect of sale of up to 36.25% of the Holding Company's investment in ETPL. In respect thereof, the shareholders of the Holding Company in its Extra-ordinary General Meeting held on September 25, 2018, unanimously approved the disposal of up to 36.25% of the Holding Company's shareholding in ETPL. Consequently, on December 14, 2018, the Holding Company and the buyer completed the transaction in accordance with the SPA, whereby, the buyer has acquired 24% shareholding of ETPL from the Holding Company for a consideration of US Dollars 31,378. Further, the buyer has acquired a further 5% shareholding of ETPL from International Finance Corporation (IFC), pursuant to IFC's tag along rights under the shareholders agreement that IFC has in place with the Holding Company. The Holding Company as at reporting date holds 56% shares of ETPL, while the buyer and IFC hold 29% and 15% of the ETPL's shareholding, respectively.

1.3.5 Engro Fertilizers Limited

Engro Fertilizers Limited (EFert), is a public listed company, incorporated in Pakistan. The principal activity of EFert is manufacturing, purchasing and marketing of fertilizers.

Following are the subsidiaries of EFert:

	Percentage of direct shareholding	
	2018	2017
- Engro Eximp FZE (note 1.3.5.1)	100	100
- EFERT Agritrade (Private) Limited (note 1.3.5.2)	100	100

(Amounts in thousand)

1.3.5.1 Engro Eximp FZE (EEF) was incorporated in the Jebel Ali Free Zone, Emirate of Dubai, on August 4, 2011 as a wholly owned subsidiary of Engro Eximp (Private) Limited (EEPL).

1.3.5.2 In 2017, EFERT Agritrade (Private) Limited (EAPL) was incorporated as a wholly owned subsidiary of EFERT to carry out trading and distribution of imported fertilizers as part of the business reorganization. EFERT has transferred its business of trading and distribution of imported fertilizers to EAPL, and hold 10,000 ordinary shares of Rs. 10 each in EAPL.

1.3.6 Engro Polymer and Chemicals Limited

Engro Polymer and Chemicals Limited (EPCL), is a public listed company, incorporated in Pakistan. The principal activity of EPCL is to manufacture, market and sell Poly Vinyl Chloride (PVC), Vinyl Chloride Monomer (VCM), caustic soda and other related chemicals. It is also engaged in supply of surplus power generated from its power plants to EFert (NPK Plant).

Further, EPCL has a wholly owned subsidiary, Engro Polymer Trading (Private) Limited (EPTL), which is a private limited company incorporated in Pakistan. EPTL's principal activity is to purchase, market and export PVC, VCM and related chemicals.

During the year, EPCL offered 37% of its issued, subscribed and paid-up ordinary shares as right shares at Rs. 22 per ordinary share. The Holding Company fully subscribed to its entitled right shares aggregating to 137,923,461 ordinary shares, amounting to further investment of Rs. 3,034,316.

1.3.7 Engro Vopak Terminal Limited

Engro Vopak Terminal Limited (EVTL), a 50% share joint venture of the Holding Company, is a public unlisted company incorporated in Pakistan. EVTL is a joint venture of the Holding Company and Royal Vopak Netherlands B.V. EVTL has been granted the exclusive concession, right and license to design, finance, insure, construct, test, commission, complete, operate, manage and maintain an Integrated Liquid Chemical Terminal and Storage Farm at the south western zone of Port Qasim on Build, Operate and Transfer (BOT) basis.

1.3.8 Engro Foods Limited

Engro Foods Limited (EFoods), is a public listed company, incorporated in Pakistan. EFoods is a subsidiary of FrieslandCampina Pakistan Holdings B.V., which is a subsidiary of Zuivelcoöperatie FrieslandCampina UA (the Ultimate Parent Company).

The principal activity of EFoods is to manufacture, process and sell dairy products, beverages, ice cream and frozen desserts. EFoods also owns and operates a dairy farm.

The Holding Company has also granted EFoods, the right to use its know-how in connection with the manufacturing, packaging, marketing, sale, use and distribution of dairy products under the Know-How License agreement effective December 20, 2016. In consideration of the right granted, the Holding Company is entitled to a royalty fee of 0.5% of the net sales of EFoods derived from the sales of all products in the territory, when EFoods meets certain agreed sales targets.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS

During the year, the following significant transactions / events have occurred in relation to the Group and entities constituting the Group:

- The Group has incurred significant amount of capital expenditure in respect of various expansion projects particularly on account of polymer, fertilizer, power generation and mining projects.

- Corporate tax rates for year ended December 31, 2018 and subsequent years were reduced by 1% for each tax year uptil tax year 2023. Due to the reduction in current and future corporate tax rates, decrease in corresponding net deferred tax liability has been recognized in these consolidated financial statements.

(Amounts in thousand)

- Subsequent to the enactment of Finance Act 2018, the Group has recognized liability for Super Tax under Section 4B of the Income Tax Ordinance, 2001, relating to tax years 2018 and 2019.

- EPTPL made draw downs from foreign currency debt facilities amounting to Rs. 22,190,528 and local currency debt facilities amounting to Rs. 11,689,498.

- EPQL has entered into a mixed mode regime as envisioned under the Implementation Agreement (IA) due to depletion of gas field and reduction in quantity of gas supplied by Sui Northern Gas Pipeline Limited (SNGPL). Under the regime, Capacity Purchase Payments (CPP) are secured for any shortfall in supply of gas by making the plant available on High Speed Diesel.

- In the year 2017, EPCL undertook the reliability enhancement and de-bottlenecking of PVC plants to increase annual capacity to 195,000 tons. The project became fully operational at the end of the current year. As a result, the desired production level has been achieved.

- Rs. 6,368,366 is outstanding as at December 31, 2018 on account of subsidy receivable from Government of Pakistan under the subsidy scheme on sale of certain fertilizers. Further, Rs. 2,227,631 was recovered on account of subsidy. The scheme has been discontinued by the Government of Pakistan in June, 2018.

- EFert, during the year, has accrued Rs. 6,365,269 in lieu of Gas Infrastructure Development Cess.

- The Group has reversed impairment charge amounting to Rs. 314,846, consequent to the profitability of Rice Processing Plant in the current year and increasing exports for the coming years particularly substantiated by locking export commitments worth USD 8,524 of finished product for the Financial Year 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of preparation

3.1.1 These consolidated financial statements have been prepared under the historical cost convention as modified by remeasurement of certain financial assets and financial liabilities, including derivative instruments, at fair value, and certain staff retirement and other service benefits at present value.

3.1.2 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.1.3 The preparation of consolidated financial statements in conformity with the above requirements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

3.1.4 Initial application of standards, amendments or an interpretation to existing standards

a) Standards, amendments to published standards and interpretations that became effective during the year and are relevant to the Group

The following new interpretation to the accounting and reporting standards as applicable in Pakistan is effective for the first time for the financial year beginning on January 1, 2018 is relevant to the Group:

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective 1 January 2018). This amendment clarify the determination of the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts. For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability). If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt. The impact of the above amendment is not considered material on these consolidated financial statements.

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 1, 2018 are considered not to be relevant or do not have any significant effect on the Group's financial reporting and operations.

b) Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted by the Group

The following new standards, interpretations and amendments to published standards are not effective for the financial year beginning on January 1, 2018 and have not been early adopted by the Group:

- IFRS 9, 'Financial instruments' (effective for periods beginning on or after July 1, 2018). This standard addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the guidance in IAS 39 "Financial Instruments: Recognition and Measurement" that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is also a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRS 15, 'Revenue from contracts with customers' (effective for periods beginning on or after July 1, 2018). This standard stipulates clarifications of the guidance on identifying performance obligations, accounting for License of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contract's and related interpretations. The Group is yet to assess the full impact of the standard. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRS 16, 'Leases' (effective for periods beginning on or after January 1, 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The management is in the process of assessing the impact this standard will have on the consolidated financial statements of the Group.

- IFRIC 23, 'Uncertainty over income tax treatments' (effective for periods beginning on or after January 1, 2019). This interpretation clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The interpretation had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. This interpretation explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. This interpretation applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Group is yet to assess the full impact of this interpretation.

- Amendment to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement' (effective for periods beginning on or after January 1, 2019). This amendment requires an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement and recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The management is in the process of assessing the impact this amendment will have on the consolidated financial statements of the Group.

There are a number of other standards, amendments and interpretations to the published standards that are not yet effective and have not been early adopted by the Group therefore, have not been presented here.

3.1.5 Basis of consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-recognized from the date the control ceases. These consolidated financial statements include Engro Corporation Limited (the Holding Company) and all companies in which it directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors (the Subsidiaries).

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities (including contingent liabilities) assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognized in consolidated profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized in consolidated profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses (unrealized) are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests that do not result in loss of control as transactions with equity owners of the Group. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed off the carrying value of net assets of the subsidiary is recorded in equity.

iii) Disposal of subsidiaries

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset depending on the level of influence retained. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed off the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to consolidated profit or loss.

3.1.6 The consolidated financial statements have been prepared on the basis of audited financial statements of the Holding Company and the subsidiary companies.

3.2 Exploration and evaluation assets

Exploration and evaluation assets in respect of area of interest includes license fee, detailed feasibility study and all other related studies to ensure bankability of the project including ancillary (operating and administrative) cost related thereto.

The aforementioned expenditure supporting the technical feasibility and economic / commercial viability, are capitalized as exploration and evaluation assets, where:

- such costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by its sale; or

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence, or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area are continuing.

Capitalized exploration and evaluation expenditure is recorded at cost less impairment charges. As asset is not available for use, it is not depreciated, however, an estimate of recoverable amount of asset is made for possible impairment on an annual basis.

Cash flows associated with exploration and evaluation expenditure are classified as investing activities in the consolidated statement of cash flows.

3.3 Development properties

Development expenditure represents expenditure incurred in area in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and related infrastructure.

Once a development decision has been taken the carrying amount of the exploration and evaluation asset is transferred to development expenditure and classified under non-current assets as 'development properties'.

Capitalized development properties expenditure is recorded at cost less impairment, if any. As asset is not available for use, it is not depreciated; however, an estimate of recoverable amount of asset is made for possible impairment on an annual basis.

Cash flows associated with development properties are classified as investing activities in the consolidated statement of cash flows.

3.4 Property, plant and equipment

3.4.1 Owned assets

These are stated at historical cost less accumulated depreciation and impairment losses, if any, except free-hold land and capital work in progress which are stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items including borrowing costs. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Where major components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated profit or loss during the financial period in which they are incurred.

Disposal of asset is recognized when significant risk and rewards incidental to ownership have been transferred to buyers. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'Other operating expenses / income' in the consolidated profit or loss.

Depreciation is charged to consolidated profit or loss using the straight line method, except for catalyst whose depreciation is charged on the basis of number of production days, whereby the cost of an operating asset less its estimated residual value is written off over its estimated useful life. Depreciation on addition is charged from the month following the month in which the asset is available for use and on disposals upto the preceding month of disposal.

The Group reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation.

3.4.2 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership, are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to similar owned asset. Outstanding obligations under the lease less finance cost allocated to future periods are shown as a liability.

Finance cost under lease agreements are allocated to the periods during the lease term so as to produce a constant periodic rate of finance cost on the remaining balance of principal liability for each period.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Operating lease / Ijarah arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases / Ijarah arrangements. Rentals due under operating lease / Ijarah arrangements are recognized in the consolidated profit or loss. Any initial direct costs incurred for the lease are amortised over the term of the lease.

3.4.3 Dredging expenditure

Dredging expenditure is categorized into capital dredging and major maintenance dredging. Capital dredging is expenditure, which creates new harbour and deepens or extends the basin in front of jetty in order to allow access to larger ships. This expenditure is capitalized and is being depreciated over a period of 15 years.

Major maintenance dredging is expenditure incurred to restore the depth to its previous condition. The management estimates that maintenance dredging has an average service potential of 5 years. Maintenance dredging is regarded as a separate component and is capitalized and depreciated over a period of 5 years on straight line basis.

3.5 Capital spares

Spare parts and servicing equipment are classified as property, plant and equipment rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. These are valued at weighted average cost less impairment except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. Upon utilization, the capital spares and servicing equipment are depreciated over their useful life, or the remaining life of principal asset, whichever is lower.

3.6 Intangible assets

a) Computer software and licenses

i) Acquired

Costs associated with maintaining computer software programmes are recognized as an expense when incurred. However, costs that are directly attributable to identifiable software and have probable economic benefits exceeding the cost beyond one year, are recognized as an intangible asset. Direct costs include the purchase cost of software (license fee) and related overhead cost.

Expenditure which enhances or extends the performance of computer software beyond its original specification and useful life is recognized as a capital improvement and added to the original cost of the software.

Computer software cost treated as intangible assets are amortized from the date the software is put to use on straight-line basis over their respective useful lives.

ii) Internally generated

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the management. After initial recognition, internally generated intangible assets are carried at cost less accumulated amortization and impairment losses. These are amortized using straight-line basis over a period of 5 years. Amortization on addition is charged from the month following the month in which the asset is available for use and on disposals upto the month preceding the month of disposal.

Expenditure on research (or the research phase of an internal project) is recognized as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalized when all the following conditions are satisfied:

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- The Group intends to complete the intangible asset and use or sell it;
- The Group has the ability to use or sell the intangible asset;
- The intangible asset will generate probable future economic benefits. Among other things this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or if it is to be used internally, the asset will be used in generating such benefits;
- There are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

b) Rights for future gas utilization

Rights for future gas utilization represents premium paid to the Government of Pakistan for allocation of 100 MMCFD natural gas for a period of 20 years for EFert's Enven plant network. The rights are being amortized from the date of commercial production on a straight-line basis over the remaining allocation period.

3.7 Impairment of non-financial assets

Assets that are subject to depreciation/amortization are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of previous impairment losses. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sale and value in use. Reversal of impairment loss is restricted to the original cost of the asset.

3.8 Investments in Joint ventures and associates

Investment in associates / Joint venture are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the investors share of profit or loss of the investee after the date of acquisition. The Group's investment in associates / Joint venture includes goodwill identified on acquisition. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the impairment loss as the difference between the recoverable amount of associate / Joint venture and its carrying value and recognizes it in the consolidated profit or loss.

3.9 Non current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in consolidated profit or loss.

3.10 Financial instruments

3.10.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) At fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, these are classified as non-current.

b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

c) Held to maturity
Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity with a positive intention and ability to hold to maturity.

d) Available-for-sale
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose it off within 12 months of the end of the reporting date.

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held to maturity and loans and receivables are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated profit or loss within 'other operating income / expenses' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated profit or loss as part of other income when the Group's right to receive payments is established.

Changes in fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in consolidated statement of comprehensive income are included in the consolidated profit or loss.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated profit or loss as part of other income. Dividends on available for sale equity instruments are recognized in the consolidated profit or loss as part of other income when the Group's right to receive payments is established.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognised in the consolidated profit or loss. Impairment losses recognised in the consolidated profit or loss on equity instruments are not reversed through the consolidated profit or loss. Impairment testing of trade debts and other receivables is described in note 3.15.

3.10.2 Financial liabilities

Financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recognized initially at fair value less directly attributable transactions costs, if any, and subsequently measured at amortized cost using effective interest rate method.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the consolidated profit or loss.

3.10.3 Offsetting of financial assets and liabilities

A financial asset and a financial liability are off set and the net amount is reported in the consolidated statement of financial position if the Group has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counter party.

3.11 Derivative financial instruments and hedging activities

Derivatives are recognized initially at fair value on the date a derivative contract is entered into; attributable transaction cost are recognized in consolidated profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair values, and changes therein are accounted for as described below:

a) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

b) Cash flow hedges
Changes in fair value of derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent the hedge is ineffective, changes in fair value are recognized in consolidated profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases, the amount recognized in equity is transferred to consolidated profit or loss in the same period that the hedge item affects consolidated profit or loss.

c) Other non-trading derivatives
When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognized immediately in consolidated profit or loss.

d) Embedded derivatives
Fair value of derivatives embedded in financial instruments or non-derivative host contracts are separated from the host contract if the risks and economic characteristics of the embedded derivative are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

If the fair value of an embedded derivative that is required to be separated cannot be reliably measured, the entire combined contract is measured at fair value through profit or loss.

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposure.

(Amounts in thousand)

3.12 Stores, spares and loose tools

These are valued at weighted average cost except for items in transit which are stated at invoice value plus other charges paid thereon till the reporting date. For items which are slow moving and / or identified as surplus to the Group's requirements, adequate provision is made for any excess book value over estimated realizable value. The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence, if any.

3.13 Stock-in-trade

These are valued at the lower of cost and net realizable value. Cost is determined using weighted average method except for raw material and certain purchased products in transit which are stated at cost (invoice value) plus other charges incurred thereon till the reporting date. Cost in relation to finished goods includes applicable purchase cost and manufacturing expenses. The cost of work in process includes material and proportionate conversion costs.

Net realizable value signifies the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessarily to be incurred in order to make the sales.

3.14 Trade debts and other receivables

These are recognized initially at fair value plus directly attributable transaction costs, if any and subsequently measured at amortized cost using effective interest rate method less provision for impairment, if any. A provision for impairment is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is charged to consolidated profit or loss. Trade debts and other receivables considered irrecoverable are written-off.

Exchange gains and losses arising on translation in respect of trade debts and other receivables in foreign currency are added to the carrying amount of the respective receivables.

3.15 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows includes cash in hand and in transit, cheques in hand, balances with banks on current, deposit and saving account, other short term highly liquid investments with original maturities of three months or less and short term borrowings other than term finance.

3.16 Share capital

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.17 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Exchange gains and losses arising in respect of borrowings in foreign currency are added to the carrying amount of the borrowing.

(Amounts in thousand)

3.18 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liability.

Exchange gains and losses arising in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

3.19 Operating lease

Lease arrangements in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease arrangements. Rentals due under operating lease arrangements are recognised in the consolidated profit or loss.

3.20 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect current best estimate.

3.21 Income tax

The tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In which case, the tax is also recognized in other comprehensive income or directly in equity.

3.21.1 Current

Provision for current taxation is based on the taxable income for the year calculated on the basis of the tax laws enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.21.2 Deferred

Deferred tax is recognized using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.22 Retirement and other service benefits

3.22.1 Defined contribution plans

A defined contribution plan is a post - employment benefit plan under which a Group pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the consolidated profit or loss when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group operates:

- defined contribution provident funds for its permanent employees. Monthly contributions are made both by the Group and employees to the fund at the rate of 10% of basic salary;
- defined contribution pension funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate ranging from 12.5% to 13.75% of basic salary; and
- defined contribution gratuity funds for the benefit of management employees. Monthly contributions are made by the Group to the fund at the rate of 8.33% of basic salary.

3.22.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than the defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit method.

Remeasurements (actuarial gains / losses) in respect of defined benefit plan are recognized directly in equity through other comprehensive income.

Contributions require assumptions to be made of future outcomes which mainly include increase in remuneration, expected long-term return on plan assets and the discount rate used to convert future cash flows to current values. Calculations are sensitive to changes in the underlying assumptions.

The Group operates defined benefit funded gratuity schemes for its management employees and non-management employees of Engro Fertilizers Limited (EFert).

The Group also operates defined benefit funded pension scheme for EFert's management employees; the pension scheme provides life time pension to retired employees or to their spouses. Contributions are made annually to these funds on the basis of actuarial recommendations. The pension scheme has been curtailed and effective from July 1, 2005, no new members are inducted in this scheme. Actuarial gains on curtailment are recognized immediately once the certainty of recovery is established.

Annual provision is also made under a service incentive plan for certain category of experienced employees to continue in the Group's employment.

In June 2011, the Group gave a one time irrevocable offer to selected members of MPT Employees' Defined Benefit Gratuity Fund and Defined Contribution Pension Fund to join a new MPT Employee's Defined Contribution Gratuity Fund (the Fund), a defined contribution plan. The present value, as at June 30, 2011, of the defined benefit obligation of those employees, who accepted this offer, were transferred to this Fund. Furthermore, from July 2011 onwards, the monthly contributions to Defined Contribution Pension Fund of such employees were discontinued.

3.22.3 Employees' compensated absences

The Group accounts for compensated absences on the basis of unavailed leave balance of each employee at the end of the year.

3.22.4 Other benefits - Service Incentive Plan

Provision is made under a service incentive plan for certain category of experienced employees to continue in the Group's employment. The provision is made on the basis of management's estimates of incentives to be paid to employees on fulfillment of criteria given in the incentive plan.

3.23 Foreign currency transactions and translation

3.23.1 These consolidated financial statements are presented in Pakistan Rupees, which is the Group's functional currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated profit or loss.

3.23.2 The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each consolidated profit or loss item are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognized as a separate component of equity.

3.24 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognized on the following basis:

- Revenue is recognized when products are dispatched to customers or services are rendered.

- Income on deposits and delayed payment income on overdue trade receivables is recognized on accrual basis.

- Revenue from contracts if the outcome of such activity can be reliably measured, is recognized by reference to stage of completion of the activity at year end (the percentage completion method). In applying the percentage completion method, revenue recognized corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total costs incurred to date and the estimated costs to complete.

- Dividend income from investments is recognized when the Group's right to receive the payment has been established.

- Fee from Operations and Management (O&M) projects is recognized on accrual basis under the terms of the O&M agreements. Recoveries against reimbursable expenses are adjusted against the related expenses and net amount is recognized in the consolidated profit or loss as other income.

- Revenue from sale of electricity is recognized as follows:

  - Capacity revenue based on the capacity made available to National Transmission and Dispatch Company Limited (NTDC); and
  - Energy revenue based on the Net Electrical Output (NEO) delivered to NTDC.

- Revenue from re-gasification and transportation of Liquefied Natural Gas (LNG) to Sui Southern Gas Company Limited (SSGCL) is recognized on the following basis:

  - Capacity and flexibility revenue on the basis of capacity made available to SSGCL.
  - Utilization revenue on the basis of Regasified Liquefied Natural Gas (RLNG) throughput to SSGCL.

- Revenue generated from the provision of LNG carrier services of Floating, Storage and Re-gassification Unit (FSRU) is recognized on accrual basis.

3.25 Borrowing costs

Borrowing costs are recognized as an expense in the period in which they are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset in which such costs are capitalized as part of the cost of that asset. Borrowing costs includes exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs and net gain / loss on the settlement of derivatives hedging instruments.

3.26 Research and development costs

Research and development costs are charged to income as and when incurred, except for certain development costs which are recognized as intangible assets when it is probable that the developed project will be a success and certain criteria, including commercial and technical feasibility have been met.

(Amounts in thousand)

3.27 Government grant

Government grant that compensates the Group for expenses incurred is recognized in the consolidated profit or loss on a systematic basis in the same period in which the expenses are recognized. Government grants are deducted in reporting the related expenses.

3.28 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.29 Transactions with related parties

Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions agreed between the parties.

3.30 Dividend and appropriation to reserves

Dividends and appropriations to reserves are recognized in the period in which these are approved.

3.31 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of the Holding Company that makes strategic decisions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of carrying material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

a) Property, plant and equipment and intangibles

The Group reviews appropriateness of the rate of depreciation / amortization, useful life and residual value used in the calculation of depreciation / amortization. Further where applicable, an estimate of recoverable amount of assets is made for possible impairment on an annual basis.

b) Investments at fair value through profit or loss

The Group determines fair value of certain investments by using quotations from active market and conditions and information about the financial instruments. These estimates are subjective in nature and involve some uncertainties and matters of judgment.

c) Derivatives

The Group reviews the changes in fair values of the derivative hedging financial instruments at each reporting date based on the valuations received from the contracting banks. These valuations represent estimated fluctuations in the relevant currencies/interest rates over the reporting period and other relevant variables signifying currency and interest rate risks.

d) Stock-in-trade

The Group reviews the net realizable value of stock-in-trade to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make the sales.

(Amounts in thousand)

e) Income taxes

In making the estimates for current income taxes payable by the Group, the management considers the applicable laws and the decisions / judgments of appellate authorities on certain issues in the past. Accordingly, the recognition of deferred tax is also made taking into account these judgments and the best estimates of future results of operations of the Group.

f) Provision for retirement and other service benefits obligations

The present value of these obligations depend on a number of factors that are determined on actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of these obligations.

g) Impairment of financial assets

In making an estimate of future cash flows from the Group's financial assets including investment in joint ventures and associates, the management considers future dividend stream and an estimate of the terminal value of these investments.

h) Construction revenue and cost

Construction revenue is recognized using the percentage completion method. This is determined with reference to the stage of completion of project which is based on the proportion of contract costs incurred to date and the estimated costs to complete the project.

i) Trade debts

An estimate of the collectible amount of trade debts is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Any difference between the amounts actually collected in future periods and the amounts expected is recognized in the statement of profit or loss.

j) Stores and spares

The Group regularly reviews the provision for slow moving stores and spares to assess the consumption of stores and spares, thereby ensuring that slow moving items are provided for.

5. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	Rupees	
Operating assets, at net book value (note 5.1)	105,138,798	103,581,293
Capital work in progress - Expansion and other projects (note 5.7)	98,326,481	52,994,469
Capital spares and standby equipments	943,599	779,357
	204,408,878	157,355,119

5.1 Operating assets

	Land		Building		Pipelines	Plant and Machinery	Catalyst	Furniture fixture and equipments		Vehicles	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold		Owned		Owned	Leased	Owned			
							Rupees						
As at January 1, 2017													
Cost	306,054	497,602	5,606,721	1,718,750	2,909,870	137,804,961	2,209,022	1,749,292	21,723	677,040	5,304,592	2,864,149	161,669,776
Accumulated depreciation	-	(137,122)	(1,679,044)	(554,814)	(687,856)	(44,108,690)	(1,881,174)	(1,197,371)	(21,002)	(394,025)	(403,768)	(348,869)	(51,413,735)
Accumulated impairment	-	(134,921)	-	(642,779)	-	(2,491,642)	-	(88,342)	-	-	-	-	(3,357,684)
Net book value	306,054	225,559	3,927,677	521,157	2,222,014	91,204,629	327,848	463,579	721	283,015	4,900,824	2,515,280	106,898,357
Year ended December 31, 2017													
Opening net book value	306,054	225,559	3,927,677	521,157	2,222,014	91,204,629	327,848	463,579	721	283,015	4,900,824	2,515,280	106,898,357
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.7)	6,200	-	124,511	91,707	-	3,328,195	8,978	339,367	-	178,171	-	-	4,077,129
Transfers to capital spares	-	-	-	-	-	(60,151)	-	-	-	-	-	-	(60,151)
Capitalization of exchange gain													
by Subsidiary Company (note 5.3)	-	-	-	-	-	309,944	-	-	-	-	-	-	309,944
Reclassifications													
Cost	-	-	(100,634)	5,489	110,880	90,794	(50,162)	(56,517)	-	150	-	-	-
Accumulated depreciation	-	(105)	173,044	(353)	(181,258)	(37,624)	50,162	8,246	-	(12,112)	-	-	-
Accumulated Impairment - reversal (note 5.2 & 5.5)	-	-	-	(107,867)	-	(539)	-	552	-	-	-	-	(107,854)
	-	(105)	72,410	(102,731)	(70,378)	52,631	-	(47,719)	-	(11,962)	-	-	(107,854)
Disposals / Write offs (note 5.6)													
Cost	-	(42,420)	-	-	-	(14,685)	(770,686)	(13,044)	-	(58,617)	-	-	(899,452)
Accumulated depreciation	-	16,014	-	-	-	3,967	770,686	8,374	-	52,136	-	-	851,177
Accumulated impairment	-	-	-	-	-	7,824	-	490	-	-	-	-	8,314
	-	(26,406)	-	-	-	(2,894)	-	(4,180)	-	(6,481)	-	-	(39,961)
Depreciation charge (note 5.4)	-	(13,068)	(221,892)	(43,222)	(169,347)	(6,217,317)	(113,570)	(181,920)	-	(71,341)	(209,481)	(221,007)	(7,462,165)
Net book value	312,254	183,408	3,902,706	465,771	1,985,644	88,581,388	223,256	569,127	721	371,402	4,691,343	2,294,273	103,581,293
As at December 31, 2017													
Cost	312,254	452,610	5,630,598	1,814,806	3,024,105	141,425,409	1,397,152	2,019,098	21,723	796,744	5,304,592	2,864,149	165,063,240
Accumulated depreciation	-	(134,281)	(1,727,892)	(598,389)	(1,038,461)	(50,359,664)	(1,173,896)	(1,362,671)	(21,002)	(425,342)	(613,249)	(569,876)	(58,024,723)
Accumulated impairment	-	(134,921)	-	(750,646)	-	(2,484,357)	-	(87,300)	-	-	-	-	(3,457,224)
	312,254	183,408	3,902,706	465,771	1,985,644	88,581,388	223,256	569,127	721	371,402	4,691,343	2,294,273	103,581,293

	Land		Building		Pipelines	Plant and Machinery	Catalyst	Furniture fixture and equipments		Vehicles	Jetty	Dredging	Total
	Freehold	Leasehold	Freehold	Leasehold		Owned		Owned	Leased	Owned			
							Rupees						
Year ended December 31, 2018													
Opening net book value	312,254	183,408	3,902,706	465,771	1,985,644	88,581,388	223,256	569,127	721	371,402	4,691,343	2,294,273	103,581,293
Amortization of revaluation surplus	-	(2,572)	-	(1,140)	3,355	(33,649)	-	-	-	-	-	-	(34,006)
Additions including transfers (note 5.7)	26,938	-	148,822	4,926	-	6,284,288	213,900	620,112	-	251,104	6,133	116,758	7,672,981
Transfers to capital spares	-	-	-	-	-	-	-	13,320	-	-	-	-	13,320
Capitalization of exchange loss													
by Subsidiary Company (note 5.3)	-	-	-	-	-	1,106,522	-	-	-	-	-	-	1,106,522
Adjustments / Reclassifications													
Cost	2,488	-	-	-	-	(32,581)	-	-	-	-	-	-	(30,093)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Impairment - reversal (note 5.2 & 5.5)	-	13,304	-	155,889	-	233,701	-	622	-	-	-	-	403,516
	2,488	13,304	-	155,889	-	201,120	-	622	-	-	-	-	373,423
Disposals / Write offs (note 5.6)													
Cost	-	-	-	-	-	(23,870)	-	(26,402)	-	(52,561)	-	-	(102,833)
Accumulated depreciation	-	-	-	-	-	4,004	-	15,962	-	45,580	-	-	65,546
Accumulated impairment	-	-	-	-	-	15,832	-	3,272	-	-	-	-	19,104
	-	-	-	-	-	(4,034)	-	(7,168)	-	(6,981)	-	-	(18,183)
Depreciation charge (note 5.4)	-	(14,641)	(194,757)	(37,183)	(147,202)	(6,358,558)	(88,085)	(230,196)	-	(106,832)	(140,577)	(238,521)	(7,556,552)
Net book value	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	4,556,899	2,172,510	105,138,798
As at December 31, 2018													
Cost	341,680	450,038	5,779,420	1,818,592	3,027,460	148,726,119	1,611,052	2,626,128	21,723	995,287	5,310,725	2,980,907	173,689,131
Accumulated depreciation	-	(148,922)	(1,922,649)	(635,572)	(1,185,663)	(56,714,218)	(1,261,981)	(1,576,905)	(21,002)	(486,594)	(753,826)	(808,397)	(65,515,729)
Accumulated impairment	-	(121,617)	-	(594,757)	-	(2,234,824)	-	(83,406)	-	-	-	-	(3,034,604)
Net book value	341,680	179,499	3,856,771	588,263	1,841,797	89,777,077	349,071	965,817	721	508,693	4,556,899	2,172,510	105,138,798
Annual rate of depreciation (%)	-	1 to 8	2.5 to 33	2.5 to 10	5	2.5 to 25	No. of production days	3 to 33	20	5 to 25	6.67	6.67 to 20	

(Amounts in thousand)

5.1.1 The details of immovable fixed assets (i.e. land and buildings) are as follows:

Description of assets	Address	Total Area of land in Acres
Dharki Plant & Colony	Dharki, Sindh	726.00
Zarkhez Plant	Port Qasim, Karachi	172.50
Rice Plant	13-KM Sheikhupura Road, Lahore	62.95
LNG Terminal	South Western Industrial Zone, Port Qasim, Karachi	13.18
Power plant and associated buildings	Deh Belo Sanghari, Ghotki, Sindh	41.50
Colony Land	Colony Road, Dharki, Ghotki, Sindh	16.40
Leasehold land	Thar Block II, Islamkot District, Sindh	215.00
Leasehold land	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	61.92
Production facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	3.26
Storage facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	2.21
Administration facilities	EZ/I/P-II-I Eastern Zone, Bin Qasim, Karachi	0.60

5.2 Reversal of impairment

5.2.1 In 2015, the management taking note of the significant losses suffered, as an indicator of impairment, had conducted an impairment test of its Rice processing plant. The recoverable amount so determined was less than the carrying value of the plant & machinery, thereby resulting in an impairment loss of Rs. 3,384,030 which was recognized in profit or loss for the year ended December 31, 2015.

As at December 31, 2018, the management re-assessed the recoverable amount of the Rice processing plant, using revise corporate plan. The recoverable amount of Rs. 1,285,992 as at December 31, 2018 (property, plant & equipment and stores & spares) was determined on the basis of value in use, discounted using a pre-tax risk adjusted weighted average cost of capital of 15.76%. In this assessment, key assumptions relating to plant recovery rates, primary margins, fixed and conversion costs etc. are based on past performance of the Company, while paddy purchase price and selling price of Rice including brands were estimated on management's expectation of market development. Further, volume of paddy procurement and utilization plant capacity was based on management's approved corporate plan.

The above assessment has led the Company to reverse the impairment by Rs. 314,846 for the year ended December 31, 2018 which includes reversal of PPE amounting to Rs 299,849 and reversal of impairment in stores and spares amounting to Rs 14,997.

5.2.2 Further, reversal of impairment amounting to Rs. 103,667 has been recorded by EPCL. The impairment loss was recognised last year, in respect of a building situated at Port Qasim which EPCL had intended to demolish. However, during the year, EPCL has decided to utilize the building for its expansion projects.

5.3 Represents exchange loss amounting to Rs. 1,106,522 (2017: exchange loss capitalized amounting to Rs. 309,944) on borrowings of Engro Powergen Qadirpur Limited.

5.4 Depreciation charge for the year has been allocated as follows:

	2018	2017
	Rupees	
Cost of goods sold (note 27.1)	6,905,789	6,804,730
Cost of services rendered (note 27.2)	478,016	543,632
Selling and distribution expenses (note 28)	71,384	39,412
Administrative expenses (note 29)	101,363	74,391
	7,556,552	7,462,165

5.5 Reversal of impairment / impairment loss on account of operating assets has been recognized in Cost of goods sold amounting to Rs. 403,516 (2017: 107,854) (note 27.1).

(Amounts in thousand)

5.6 The details of operating assets disposed / written-off during the year are as follows:

Description and method of disposal	Sold to	Relationship	Cost	Accumulated depreciation & impairment	Net book value	Sale proceeds	Gain \ (Loss)
			Rupees				
Plant and machinery							
By Company policy							
Diesel Generator	Pak Arab Engineering , Dharki	-	9,220	7,771	1,449	1,232	(217)
Electrostatic Precipitator Boiler	Muhammad Usman, Faisalabad	-	8,154	6,579	1,575	6,270	4,695
			17,374	14,350	3,024	7,502	4,478
Furniture, fixture and equipment							
By Company policy to existing / resigned / retired executives	Ruhail Mohammed	Ex Employee	1,238	103	1,135	1,104	(31)
Insurance claims	EFU General Insurance Limited	-	874	564	310	484	174
Write-off	-	-	5,612	756	4,856	-	(4,856)
			7,724	1,423	6,301	1,588	(4,713)
Vehicles							
By Company policy to existing / resigned / retired executives	Ruhail Mohammed	Ex Employee	14,267	11,235	3,032	7,800	4,768
	Muhammad Sajjad	Employee	3,196	2,193	1,003	750	(253)
Items having net book value upto Rs.500 each		-	60,272	55,449	4,823	23,190	18,367
			77,735	68,877	8,858	31,740	22,882
Year ended December 31, 2018			102,833	84,650	18,183	40,830	22,647
Year ended December 31, 2017			899,452	859,491	39,961	743,014	703,053

(Amounts in thousand)

5.7 Capital work in progress

	2018 Rupees	2017 Rupees
Leasehold land	153,769	-
Plant and machinery	97,041,079	52,130,554
Building and civil works including pipelines	388,289	326,267
Furniture, fixture and equipment	39,272	71,476
Advances to suppliers	96,734	209,414
Internally generated intangible asset	428,949	177,274
Dredging Maintenance	10,093	-
Other ancillary cost	168,296	79,484
	98,326,481	52,994,469
Balance as at January 1	52,994,469	23,789,784
Additions during the year	53,072,911	33,359,378
Transferred to:		
- operating assets (note 5.1)	(7,603,696)	(4,052,759)
- intangible assets (note 6)	(134,505)	(81,616)
- capital spares	(2,698)	(20,318)
Balance as at December 31	98,326,481	52,994,469

(Amounts in thousand)

6. INTANGIBLE ASSETS

	Software and licenses	Right for future gas utilization	Total
	Rupees		
As at January 1, 2017			
Cost	551,859	102,312	654,171
Accumulated amortization and impairment	(401,838)	(29,899)	(431,737)
Net book value	150,021	72,413	222,434
Year ended December 31, 2017			
Opening net book value	150,021	72,413	222,434
Additions including transfers (note 5.7)	81,616	-	81,616
Amortization charge (note 6.1)	(46,087)	(5,111)	(51,198)
Closing net book value	185,550	67,302	252,852
As at January 1, 2018			
Cost	633,475	102,312	735,787
Accumulated amortization and impairment	(447,925)	(35,010)	(482,935)
Net book value	185,550	67,302	252,852
Year ended December 31, 2018			
Opening net book value	185,550	67,302	252,852
Additions including transfers (note 5.7)	134,505	-	134,505
Amortization charge (note 6.1)	(64,707)	(5,111)	(69,818)
Closing net book value	255,348	62,191	317,539
As at December 31, 2018			
Cost	767,980	102,312	870,292
Accumulated amortization and impairment	(512,632)	(40,121)	(552,753)
Net book value	255,348	62,191	317,539

6.1 Amortization charge for the year has been allocated as follows:

	2018 Rupees	2017 Rupees
Cost of goods sold (note 27.1)	24,248	21,791
Selling and distribution expenses (note 28)	11,530	7,543
Administrative expenses (note 29)	34,040	21,864
	69,818	51,198

(Amounts in thousand)

7. LONG TERM INVESTMENTS

	2018	2017
	Rupees	
Joint venture company - Engro Vopak Terminal Limited (EVTL) - (notes 7.1 to 7.4)	-	1,337,772
Investment in associates (notes 7.5 and 7.7):		
- Engro Foods Limited (EFoods)		
306,075,948 (2017: 306,075,948) ordinary shares of Rs. 10 each	28,174,476	28,271,457
- GEL Utility Limited (GEL)		
12,272,727 (2017: 12,272,727) ordinary shares of Naira 1 each	1,496,582	1,218,689
- Sindh Engro Coal Mining Company (SECMC)		
111,254,177 (2017: 70,425,044) ordinary shares of Rs.10 each	1,655,241	1,208,203
- Siddique Sons Energy Limited (SEL)		
26,267,639 (2017: nil) ordinary shares of Rs. 10 each	258,981	-
- Pakistan Energy Gateway Limited (PEGL)		
advance against 10,000 ordinary share of Rs. 10 each	100	-
	31,585,380	30,698,349
Others, at cost		
- Arabian Sea Country Club Limited		
500,000 Ordinary shares of Rs. 10 each	5,000	5,000
- Magboro Power Company		
333,333 ordinary shares of USD 4.2 each	154,560	154,560
Less: Provision for impairment	(154,560)	-
	-	154,560
	31,590,380	32,195,681

7.1 Details of investment in EVTL is as follows:

	2018	2017
At beginning of the year	1,337,772	1,420,688
Add: Share of profit for the year (note 33)	1,187,907	1,132,084
Less: Dividend received during the year	1,170,000	1,215,000
Less: Provision against tax contingency (note 7.3)	1,355,679	-
	-	1,337,772

7.2 As at December 31, 2018, the Holding Company held 45,000,000 ordinary shares (2017: 45,000,000 ordinary shares) of EVTL representing 50% of issued, subscribed & paid-up capital of EVTL.

7.3 Cases for the tax year 2003 to tax year 2011 of EVTL to determine as to whether the income of EVTL is liable to be taxed under the Normal Tax Regime (NTR) or the Final Tax Regime (FTR) are pending in the Honorable Supreme Court of Pakistan (SCP) and the Sindh High Court (SHC). In this respect, EVTL has disclosed a contingent liability amounting to Rs. 4,462,108, in its financial statements representing potential taxation liability that EVTL may have to recognise if the aforementioned cases are decided against EVTL.

On the basis of prudence, the Group has recognized its proportionate share of the aforementioned potential taxation liability amounting to Rs. 2,231,054 against the carrying value of its investment in EVTL to the extent of it being 'Nil' and the balance amount has been recognised as a provision (note 22) depicting the Group's constructive obligation to bear the potential exposure.

(Amounts in thousand)

7.4 The summary of financial information of EVTL as of December 31, 2018 is as follows:

Statement of financial position

Particulars	2018	2017
	Rupees	
Cash and cash equivalents	11,665	92,931
Current financial liabilties (excluding trade and other payables)	-	-
Non-current financial liabilities (excluding trade and other payables)	-	-
Non-current assets	2,485,147	2,606,873
Current assets	650,025	548,853
Non-current liabilities	(9,095)	(9,675)
Current liabilities	(558,485)	(435,714)
	2,567,592	2,710,337
Group's share at 50% (2017: 50%)	1,283,796	1,355,169
Provision against tax contingency (note 7.3)	(1,355,679)	-
Reversal of WWF	89,280	-
Others	(17,397)	(17,397)
Carrying amount	-	1,337,772

Statement of profit or loss and other comprehensive income

Particulars	2018	2017
	Rupees	
Revenue	3,277,133	3,214,907
Depreciation and amortization	225,511	225,478
Interest income	17,529	15,807
Income tax expense	313,594	288,786
Total comprehensive income for the year	2,197,255	2,264,168

7.5 Details of material investments in Associated Companies are as follows:

Particulars	2018			2017		
	EFoods	GEL	SECMC	EFoods	GEL	SECMC
		Rupees			Rupees	
At beginning of the year	28,271,457	1,218,689	1,208,203	31,180,875	1,036,660	910,905
Add:						
- Investment in associates	-	-	450,270	-	-	144,839
- Advance against issue of shares	-	-	-	-	-	154,818
- Share of profit / (loss) for the year (note 33)	25,449	277,893	(3,232)	151,341	182,029	(2,359)
- Dividend received during the year	(122,430)	-	-	(3,060,759)	-	-
	28,174,476	1,496,582	1,655,241	28,271,457	1,218,689	1,208,203

(Amounts in thousand)

7.6 The summary of financial information / reconciliation of Associated Companies in which the Group holds material investment as of December 31, 2018 / 2017 is as follows:

Particulars	EFoods		GEL		SECMC	
	Rupees					
	2018	2017	2018	2017	2018	2017
Revenue	32,439,451	34,653,486	2,042,270	1,770,784	35,411	35,411
Profit / (Loss) after tax	63,783	379,297	617,542	404,510	(27,132)	(19,802)
Other comprehensive income / (loss)	(57,183)	(6,685)	-	-	-	-
Total comprehensive income / (loss)	6,600	372,612	617,542	404,510	(27,132)	(19,802)
Non-current assets	13,190,947	13,686,609	9,159,657	7,595,410	62,532,381	39,420,458
Current assets	9,577,519	8,531,721	3,392,106	2,261,986	2,257,014	1,288,559
Total assets	22,768,466	22,218,330	12,551,763	9,857,396	64,789,395	40,709,017
Less:						
Non-current liabilities	4,616,413	5,408,658	3,506,240	3,923,506	43,451,571	25,051,668
Current liabilities	8,810,993	7,088,648	4,876,829	3,180,514	7,352,969	5,582,790
Total liabilities	13,427,406	12,497,306	8,383,069	7,104,020	50,804,540	30,634,458
Net assets	9,341,060	9,721,024	4,168,694	2,753,376	13,984,855	10,074,559
Group's share in %	39.9%	39.9%	45%	45%	11.91%	11.91%
Share of net assets	3,727,083	3,933,639	1,875,912	1,239,019	1,665,596	1,199,880
Recognition of investment at fair value	24,337,818	24,337,818	-	-	-	-
Others	109,575	-	(379,330)	(20,330)	(10,355)	8,323
Carrying amount	28,174,476	28,271,457	1,496,582	1,218,689	1,655,241	1,208,203

* This primarily represents impact of exchange rate movement on net assets of foreign associate (GEL).

7.7 The comparison between quoted fair value and carrying amount of listed Associated Company is given below:

Name of entity	Place of business	Measurement method	Quoted Fair value		Carrying amount	
			2018	2017	2018	2017
			Rupees		Rupees	
Engro Foods Limited	5th Floor, The Harbour Front Building, Plot No. HC-3, Block-4, Scheme No.5, Clifton, Karachi	Equity Method	24,400,375	24,853,367	28,174,476	28,271,457

(Amounts in thousand)

8. DEFERRED TAXATION

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
	Rupees			
Engro Corporation Limited	-	249	9,878	-
Engro Fertilizers Limited	-	7,100,022	-	9,388,172
Engro Energy Limited	381,981	151,986	-	92,779
Engro Polymer and Chemicals Limited	-	390,146	11,255	-
Engro Elengy Terminal (Private) Limited	-	801,678	-	850,979
Engro Infiniti (Private) Limited	-	1,424	-	-
Net effect of consolidation adjustments	2,631	(17,142)	2,632	350,785
	384,612	8,428,363	23,765	10,682,715

8.1 Credit / (Debit) balances are on account of:

	2018	2017
	Rupees	
- Accelerated depreciation allowance	14,846,654	17,536,053
- Recoupable carried forward tax losses (note 8.2)	(431,194)	(1,444,837)
- Recoupable minimum turnover tax (note 8.3)	(537,505)	(510,131)
- Recoupable Alternative Corporate Tax (note 8.4)	(4,432,116)	(4,074,227)
- Provisions	(1,220,638)	(931,873)
- Others	(181,450)	83,965
	8,043,751	10,658,950

8.2 Relates to aggregate tax losses of Engro Polymer and Chemicals Limited available for carry forward amounting to Rs. 1,539,979 (2017: Rs. 4,816,123).

8.3 During 2013, HCS in respect of another company, overturned the interpretation of the Appellate Tribunal on Section 113 (2) (c) of the Income Tax Ordinance, 2001 and decided that minimum turnover tax cannot be carried forward where there is no tax paid on account of loss for the year or carried forward losses. The Group's management is however of the view, duly supported by the legal advisor, that the above order would not be maintained by the Supreme Court, which the Group intends to approach if required. Accordingly, the Group has recognized deferred tax asset on recoupable minimum turnover tax amounting to Rs. 537,505 (2017: Rs. 510,131).

8.4 Relates to Alternative Corporate Tax (ACT) adjustable upto 10 years.

(Amounts in thousand)

9. LONG TERM LOANS, ADVANCES AND OTHER RECEIVABLES - Considered good

	2018 Rupees	2017 Rupees
Executives (notes 9.1 to 9.4)	593,082	480,566
Other employees (notes 9.2 and 9.4)	71,509	733
	664,591	481,299
Less: Current portion shown under current assets (note 13)	(260,476)	(185,230)
	404,115	296,069
Receivable from Sui Southern Gas Company Limited (SSGCL) (note 9.5)	1,037,487	1,063,751
Less: Current portion shown under current assets (note 13)	(31,401)	(26,264)
	1,006,086	1,037,487
Direct cost of Floating Storage & Regasification Unit (FSRU) (note 9.6)	966,093	1,052,609
Prepaid insurance and loan arrangement fee (note 9.7)	9,042,789	9,042,789
Less: Transaction cost netted off from related borrowings	(7,335,346)	(4,625,055)
	1,707,443	4,417,734
Other receivables	8,829	5,836
	4,092,566	6,809,735

9.1 Reconciliation of the carrying amount of loans and advances to executives:

	2018	2017
Balance as at January 1	480,566	427,872
Add: Disbursements	424,153	339,521
Less: Repayments / Amortization	(311,637)	(286,827)
Balance as at December 31	593,082	480,566

9.2 Long term loans include:

- interest free services incentive loans to executives repayable in equal monthly installments over a four years period or in one lump sum payment at the end of such period;
- interest free loans given to workers pursuant to Collective Labour Agreement; and
- advances to employees for car earn out assistance, long term incentive and house rent advance.

9.3 The maximum amount outstanding at the end of any month from the executives of the Group aggregated to Rs. 593,082 (2017: Rs. 514,047).

9.4 The carrying values of these financial assets are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults in recent history.

(Amounts in thousand)

9.5 In 2014, Engro Elengy Terminal (Private) Limited (EETPL) entered into LNG Operation and Services Agreement (LSA) with SSGCL. As per the terms of the LSA, EETPL was required to construct a pipeline (SSGCL Branch Pipeline) and transfer it to SSGCL upon commissioning of the LNG Project and recover the cost of construction through recovery of capacity charges to be billed to SSGCL on a monthly basis. EETPL constructed and transferred the SSGCL Branch Pipeline to SSGCL on March 29, 2015, for which the Certificate of Acceptance has been received from SSGCL. The receivable represents construction costs incurred in this respect net of recoveries.

9.6 This represents customs duty on import of FSRU for its use in storage and regasification of LNG. This amount is being expensed over the period of operating lease.

9.7 These primarily represent payments made to China Export and Credit Insurance Bank (Sinosure) by Engro Powergen Thar (Private) Limited (EPTPL) amounting to Rs. 7,094,310, in connection with insurance cover obtained over financing arrangements relating to Chinese lenders, and payments to various financial institutions in respect of transaction and related cost for loan arrangements. The portion of the above costs, Rs. 7,335,346 (2017: Rs. 4,625,055), which relate to facilities actually utilized has been adjusted against related borrowings and is being amortized over the term of the loan. The balance amount of Rs. 1,707,443 (2017: Rs. 4,417,734), will be recognized as transaction cost over the term of financing upon draw down of facilities.

10. STORES, SPARES AND LOOSE TOOLS

	2018 Rupees	2017 Rupees
Consumable stores	2,539,343	2,426,512
Spares and loose tools including in-transit Rs. 135,955 (2017: Rs. 248,659)	5,995,597	5,794,255
	8,534,940	8,220,767
Less:		
Provision for surplus and slow moving items (note 10.1)	847,071	581,966
	7,687,869	7,638,801

10.1 Provision for surplus and slow moving items

	2018	2017
Balance as at January 1	581,966	290,378
Charge for the year, net	265,105	291,588
Balance as at December 31	847,071	581,966

11. STOCK-IN-TRADE

	2018	2017
Raw and packing materials (notes 11.1)	4,145,072	3,691,665
Unprocessed rice	1,110,699	765,498
Fuel stock	379,474	379,524
Work-in-process	43,373	47,372
Finished goods:		
- own manufactured product (note 11.1)	2,596,777	3,543,390
- purchased product net of NRV (notes 11.1)	8,952,883	4,638,428
	11,549,660	8,181,818
	17,228,278	13,065,877

11.1 Includes:

- materials in transit amounting to Rs. 1,406,643 (2017: Rs. 465,258);
- provision in respect of net realizable value amounting to Rs. 30,000 (2017: Rs. 25,453); and
- inventories held at storage facilities of third parties amounting to Rs. 557,703 (2017: Rs. 2,404,785).

(Amounts in thousand)

12. TRADE DEBTS

	2018	2017
	Rupees	
Considered good		
- secured (note 12.1 and 12.2)	18,374,458	13,258,575
- unsecured	255,010	382,963
	18,629,468	13,641,538
Considered doubtful (note 12.4)	56,269	39,039
	18,685,737	13,680,577
Less: Provision for impairment (note 12.5)	56,269	39,039
	18,629,468	13,641,538

12.1 Trade debts are generally secured by way of bank guarantees and letters of credit from customers. Trade debts of Engro Powergen Qadirpur Limited (EPQL) amounting to Rs. 1,353,411 (2017: Rs. 909,376), are secured by a guarantee from the Government of Pakistan under the Implementation Agreement.

12.2 Includes Rs. 1,257,583 (2017: Rs. 1,897,044) due from (SSGCL), in respect of capacity and utilization charges billed in accordance with the terms of LSA.

12.3 As at December 31, 2018, trade debts aggregating to Rs. 13,536,854 (2017: Rs. 9,996,092) were neither past due nor impaired.

12.4 As at December 31, 2018, trade debts aggregating to Rs. 56,269 (2017: Rs. 39,039) were past due and impaired and have been provided for.

	2018	2017
	Rupees	
- Upto 3 months	19,963	14,018
- 3 to 6 months	20,699	11,791
- More than 6 months	15,607	13,230
	56,269	39,039

12.5 The movement in provision during the year is as follows:

	2018	2017
Balance as at January 1	39,039	24,400
Add: Provision for impairment	17,230	14,639
Balance as at December 31	56,269	39,039

(Amounts in thousand)

12.6 As at December 31, 2018, trade debts aggregating to Rs. 5,092,614 (2017: Rs. 3,645,446) were past due but not impaired. These relate to various customers for which there is no recent history of default.

	2018	2017
	Rupees	
- Upto 3 months	5,003,380	3,642,269
- 3 to 6 months	89,234	3,177
	5,092,614	3,645,446

12.7 Details of amounts due from associated undertakings / related parties are as follows:

	2018	2017
- Engro Foods Limited	340	-
- GEL Utility Limited	154,172	114,828
- Tenaga Generasi Limited	57,534	3,747
- Siddiqsons Energy Limited	7,931	-
	219,977	118,575

12.8 The ageing analysis of past due receivables from associated undertakings / related parties are as follows:

	2018	2017
- Upto 3 months	45,336	26,041
- 3 to 6 months	47,008	21,905
- More than 6 months	35,444	24,577
	127,788	72,523

12.9 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 427,938 (2017: 239,540).

12.10 Following are the details of outstanding trade debts in relation to export sales:

Jurisdiction	Category	2018	2017
		Rupees	
- United Kingdom	Contractual	1,729,108	-
- Oman	Contractual	-	1,368,977
		1,729,108	1,368,977

(Amounts in thousand)

13. LOANS, ADVANCES, DEPOSITS AND PREPAYMENTS

	2018 Rupees	2017 Rupees
Current portion of long term loans and advances to executives and other employees (note 9)	260,476	185,230
Advances to executives and other employees (notes 13.1)	21,806	24,347
Current portion of receivable from SSGCL (note 9)	31,401	26,264
Advances and deposits (13.3)	1,335,879	700,178
Prepayments:		
- insurance	308,323	210,119
- others	1,212,785	866,444
	3,170,670	2,012,582

13.1 Represents interest free advances to executives and employees for house rent, given in accordance with the Group's policy.

13.2 The carrying values of the loan and advances are neither past due nor impaired. The credit quality of these financial assets can be assessed with reference to no defaults ever.

13.3 This includes Rs. 615,305 (2017: Rs. 6,134) made to foreign vendors for the purpose of supply of goods and services in the normal course of business. Details of significant vendor balances are given below:

Name of the Company or undertaking	Jurisdiction		Currency Foreign 2018	Currency Foreign 2017	Equivalent Rupees 2018	Equivalent Rupees 2017
Alfa Laval Middle East Limited	Middle East	EUR	93	-	14,030	-
INEOS Technologies	Europe	EUR	186	-	25,261	-
Oval Corporation	Japn	USD	112	-	15,511	-
Bertrams Chemicals Plant Limited	Europe	EUR	682	-	106,581	-
Wolong Electric Nanyang Explosion	China	USD	142	-	19,687	-
China Tianchen Engineering	China	CNY	77,525	-	349,694	-
Xian Lynsn Electric Limited	China	CNY	251	-	5,076	-

13.4 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 282,282 (2017: 209,577).

(Amounts in thousand)

14. OTHER RECEIVABLES

	2018 Rupees	2017 Rupees
Receivable from Government of Pakistan against:		
- Sales tax refundable	2,731,011	1,667,521
- Subsidy (notes 14.1 and 14.2)	6,368,366	7,741,461
	9,099,377	9,408,982
- Others	54,730	54,730
Less: Provision for impairment (note 14.6)	54,730	54,730
	-	-
	9,099,377	9,408,982
Delayed payment charges (note 14.3)	1,353,411	909,376
Reimburseable costs from NTDC in respect of:		
- Workers' profits participation fund	272,260	236,385
- Workers' welfare fund (note 30.2)	-	205,638
Receivable from:		
- Engro Vopak Terminal Limited	7,140	5,265
- GEL Utility Limited	34,992	-
- Engro Foundation	1,152	164
- Sindh Engro Coal Mining Company Limited	45,128	23,553
- Thar Power Company Limited	2,428	742
- Engro Foods Limited	49,229	8,584
- Dawood Hercules Corporation Limited	798	-
- China Machinery Engineering Corporation	12,354	-
Insurance claim receivable (note 30.1)	483,131	2,225
Others	86,168	99,037
	11,447,568	10,899,951

14.1 During 2015, the Government of Pakistan (GoP) had notified payment of subsidy on sold product at the rate of Rs. 500 per 50 kg bag of Di-Ammonia Phosphate (DAP), Rs. 217 per 50 kg bag of Nitrophos (N) and Nitrogen, Phosphorous and Potassium (NPK) fertilizers (based on phosphorous content). This subsidy scheme was effective till May 27, 2016.

During 2016, another subsidy scheme was announced by the GoP effective June 25, 2016 whereby subsidy was payable on sold product at the rate of Rs. 156 per 50 kg bag of Urea, Rs. 300 per 50 kg bag of DAP and for Nitrophos 22:20 & 18:18 grade (based on phosphorus content) and Nitrogen, Phosphorus and Potassium (NPK) fertilizers (based on phosphorus content).

During 2017, another subsidy scheme was announced by the GoP, effective July 01, 2017. Under the new subsidy scheme, aforementioned rates were replaced with Rs. 100 per 50kg bag for Urea only. This subsidy scheme was effective till June 30, 2018. In line with the notification issued for the said scheme, Ministry of National Food Security and Research has appointed third party auditors for verification of subsidy claims which is underway.

14.2 During the year, an amount of Rs. 78,006 was provided for in respect of receivable from GoP. The aggregate provision in this respect amounts to Rs. 155,127 (2017: Rs. 77,121).

(Amounts in thousand)

14.3 Represents mark-up receivable on overdue trade debts of Engro Powergen Qadirpur Limited, as delayed payment charges from NTDC in accordance with the terms of the PPA. These include mark-up over due amounting to Rs. 1,078,469 (2017: Rs. 737,788).

14.4 None of the other receivables were either past due or impaired other than past due receivables from associated undertakings / related parties, the ageing analysis of which are as follows:

	2018 Rupees	2017
Upto 3 months	77,245	6,171
3 to 6 months	24,064	584
More than 6 months	8,129	8,584
	109,438	15,339

14.5 The maximum amount due from related parties at the end of any month during the year amounts to Rs. 153,221 (2017: 38,308).

14.6 As at December 31, 2018, receivables aggregating to Rs. 54,730 (2017: Rs. 54,730) were deemed to be impaired being outstanding for more than six months and provided for.

15. SHORT TERM INVESTMENTS

	2018 Rupees	2017
At fair value through profit or loss		
Investment in units of mutual fund	200,000	-
Fixed income placements (note 15.1)	7,699,778	-
Treasury bills (note 15.2)	58,642,472	60,007,819
	66,542,250	60,007,819
Held to maturity		
Fixed income placements (note 15.2)	4,587,031	9,870,818
Treasury bills (note 15.2)	2,497,835	-
Pakistan Investment Bonds (note 15.3)	8,164,204	-
	15,249,070	9,870,818
	81,791,320	69,878,637

15.1 These represents foreign and local currency deposits with various banks, at interest rates ranging upto 10.30% (2017: 6.55%) per annum.

15.2 These represent treasury bills carrying interest at the rate ranging upto 10.29% (2017: 6.80%) per annum. These have maturity dates of upto one year from the reporting date.

15.3 These carry interest at the rate ranging upto 10.30% (2017: Nil) per annum.

(Amounts in thousand)

16. CASH AND BANK BALANCES

	2018 Rupees	2017
Balances with banks in:		
- deposit accounts (notes 16.1, 16.3 and 16.4)	8,364,887	6,971,331
- deposit accounts - islamic (note 16.2)	948,160	93,575
- current accounts	2,533,128	2,489,951
Cheques / Demand drafts in hand	32,653	-
Cash in hand	1,983	2,730
	11,880,811	9,557,587

16.1 Local currency conventional deposits carry return up to the rate of 9% (2017: 5.75%) per annum.

16.2 These are shariah compliant bank balances and carry profit at rates ranging from 4.5% to 6.0% (2017: 3.0% to 4.5%) per annum.

16.3 Includes Rs. 4,253,965 (2017: Rs. 2,539,880) held in foreign currency bank accounts and carry return ranging upto of 1% (2017: 1%) per annum.

16.4 These include amount of Rs. 15,000 (2017: Rs. 12,500) held against bank guarantee and Rs. 1,247,762 (2017: Nil) held against letter of credit in favor of Custom Authorities. These amounts are excluded from cash and cash equivalents for the purpose of statement of cash flows.

17. SHARE CAPITAL

17.1 Authorized capital

2018 (Number of shares)	2017		2018 Rupees	2017
550,000,000	550,000,000	Ordinary shares of Rs. 10 each	5,500,000	5,500,000

17.2 Issued, subscribed and paid-up capital

2018 (Number of shares)	2017		Rupees	
197,869,804	197,869,804	Ordinary shares of Rs. 10 each fully paid in cash	1,978,699	1,978,699
325,914,951	325,914,951	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	3,259,149	3,259,149
523,784,755	523,784,755		5,237,848	5,237,848

17.3 As at December 31, 2018, Dawood Hercules Corporation Limited (the Parent Company) and associated companies respectively held 194,972,555 and 33,825,286 (2017: 194,972,555 and 33,825,286) ordinary shares in the Holding Company.

17.4 These fully paid ordinary shares carry one vote per share and right to dividend.

(Amounts in thousand)

18. MAINTENANCE RESERVE

In accordance with the Power Purchase Agreement (PPA), Engro Powergen Qadirpur Limited (EPQL) is required to establish and maintain a separate reserve fund (the Fund) with a depository institution for payment of major maintenance expenses. Any interest income resulting from the depository arrangements of the Fund is to remain in the Fund to the extent of any shortfall from the contractual limit.

Under the PPA, 1/24th of the annual operating and maintenance budget of the Power Plant less fuel expenses is required to be deposited into the Fund on each capacity payment date until such reserve equals to nine such deposits. After the second agreement year and thereafter the Fund may be re-established at such other level that EPQL and NTDC mutually agree.

In 2012, EPQL due to uncertain cash flows resulting from delayed payments by NTDC has, as per flexibility available under the PPA, reduced the amount deposited in a schedule bank to Rs. 50,004, which has been invested in investment certificates as at December 31, 2018 (note 15). Till such time the amount is deposited again to the required level, EPQL has unutilized short term financing available to meet any unexpected maintenance requirements that may arise in the foreseeable future.

19. BORROWINGS

- Secured (Non-participatory)

	2018	2017
	Rupees	
Engro Rupiya Certificates (note 19.1)	998,164	994,841
Islamic Finances (note 19.2)	5,039,803	5,615,881
Conventional Finances (note 19.3)	52,117,423	41,195,096
Foreign currency borrowings and others (note 19.4)	73,271,005	42,937,305
	131,426,395	90,743,123
Less: Current portion shown under current liabilities	10,315,924	12,392,265
	121,110,471	78,350,858

19.1 Engro Rupiya Certificates

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2018	2017
					Rupees	
Engro Islamic Rupiya Certificates II	19.1.1	13.5%	Lump sum	July 10, 2019	998,164	994,841

19.2 Islamic Finances

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2018	2017
Dubai Islamic Bank Limited		6 months KIBOR + 0.4%	4 half yearly	November 28, 2018	600,000	800,000
Privately Placed Subordinated Sukuk Certificates		6 months KIBOR + 1.75%	10 half yearly	January 9, 2015	1,118,527	2,231,699
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.9%	13 half yearly	June 14, 2013	-	398,741
Standard Chartered Bank (Pakistan) Limited		6 Months KIBOR + 0.8%	1 bullet payment	March 18, 2018	199,687	1,000,000
Islamic Facility Agreements	19.2.1	3 months KIBOR + 3.5%	20 half yearly		3,121,589	1,185,441
					5,039,803	5,615,881

(Amounts in thousand)

19.3 Conventional Finances

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2018	2017
					Rupees	
Bilateral - IV	19.3.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - V	19.3.1	6 months KIBOR + 0.8%	10 half yearly	July 1, 2019	1,500,000	1,500,000
Bilateral - VI	19.3.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	750,000	750,000
Bilateral - VII	19.3.1	6 months KIBOR + 0.8%	10 half yearly	June 28, 2019	-	1,250,000
Bilateral - VIII	19.3.1	6 months KIBOR + 0.8%	6 half yearly	June 1, 2019	1,000,000	1,000,000
Bilateral - IX	19.3.1	6 months KIBOR + 0.4%	6 half yearly	June 30, 2020	750,000	750,000
Bilateral - X	19.3.1	6 months KIBOR + 0.4%	6 half yearly	June 26, 2020	2,000,000	2,000,000
Allied Bank Limited		6 months KIBOR + 0.8%	1 bullet payment	March 18, 2018	-	2,000,000
Allied Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	2,000,000	2,000,000
National Bank of Pakistan	19.3.2	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	1,000,000	-
Deutsche Investitions Fund Entwicklungsgesellschaft	19.3.2	6 Months LIBOR + 3.75%	9 half yearly	December 15, 2019	2,082,897	-
Allied Bank Limited	19.3.2	6 Months KIBOR + 0.2%	4 half yearly	June 28, 2022	2,100,000	-
Faysal Bank Limited		6 Months KIBOR + 1.2%	13 half yearly	May 26, 2013	-	499,138
Samba Bank Limited		6 Months KIBOR + 0.9%	14 half yearly	April 1, 2013	99,852	199,431
National Bank of Pakistan		6 Months KIBOR + 1.2%	10 half yearly	September 28, 2013	-	166,531
Syndicated finance		6 months KIBOR + 0.4%	6 half yearly	June 26, 2019	9,109,666	9,108,338
United Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 months KIBOR + 0.80%	1 bullet payment	March 18, 2018	-	3,000,000
MCB Bank Limited		6 months KIBOR + 0.15%	4 half yearly	March 29, 2020	4,000,000	4,000,000
MCB Bank Limited		6 Months KIBOR + 0.05%	4 half yearly	March 28, 2021	1,500,000	1,500,000
MCB Bank Limited		6 Months KIBOR + 0.20%	4 half yearly	December 29, 2021	3,000,000	-
National Bank of Pakistan	19.2.1	3 months KIBOR + 3.5%	20 half yearly		2,954,007	928,793
HBL-led consortium	19.2.1	3 months KIBOR + 3.5%	20 half yearly		12,771,001	5,042,865
					52,117,423	41,195,096

19.4 Foreign Borrowings and Others

	Note	Mark-up	Installments Number	Installments Commenced/ Commencing from	2018	2017
International Financial Institutions		6 months LIBOR + 3%	24 half yearly	December 15, 2010	3,563,099	4,871,233
China Development Bank Corporation (CDBC), China Construction Bank Corporation (CCBC) and Industiral and Commercial Bank of China Limited (ICBCL)	19.4.1	6 months LIBOR + 4.2%	20 half yearly	December 21, 2015	63,498,057	31,476,818
International Finance Corporation		6 months LIBOR + 5%	16 half yearly	June 15, 2016	1,579,326	1,523,870
Asian Development Bank		6 months LIBOR + 5%	16 half yearly	June 15, 2016	2,370,604	2,285,808
Local Syndicate Loan		6 months KIBOR + 1.8%	16 half yearly	June 15, 2016	2,259,919	2,779,576
					73,271,005	42,937,305

19.1.1 The outstanding balance as at year end represents amount raised from general public against the issuance of Engro Islamic Rupiya (EIR) Certificates - II. These are AA rated, listed and secured Ijaratul Musha & Murabaha Sukuk certificates of a total issue size of Rs. 1,000,000 duly approved by the Securities and Exchange Commission of Pakistan (SECP). EIR - II Certificates have a tenure of 60 months with an expected profit rate of 13.5% per annum payable semi-annually maturing on July 10, 2019. The certificate holders, however, may request the Holding Company for early redemption at any time from the date of investment subject to an Early Redemption Discount service charge on the outstanding issue price.

The EIR Certificates - II have been secured by way of first ranking pari passu floating charge. The Company, in this respect, has appointed Meezan Bank Limited as a trustee.

The proceeds from the EIR Certificates were utilized to pay-off conventional liabilities and to meet funding requirements of the subsidiaries and to finance new projects.

(Amounts in thousand)

19.2.1 EPTPL has entered into following loan agreements:

- Rupee Facility Agreement with an HBL-led consortium (comprising HBL, United Bank Limited, Bank Alfalah Limited, Askari Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Bank of Punjab, MCB Bank Limited, Faysal bank Limited, Pak Oman Investment Company Limited (pursuant to sell down of a portion of loan by United Bank Limited), Industrial and Commercial Bank of China, National Bank of Pakistan and Pak Brunei Investment Company Limited for an aggregate amount of Rs.17,016,000. As at December 31, 2018, EPTL has made draw down of Rs. 13,279,243 (2017: Rs. 5,042,865) against this facility.

- Bilateral Facility Agreement with National Bank of Pakistan for an aggregate amount of Rs. 3,134,000. As at December 31, 2018, EPTL has made draw down of Rs. 2,445,765 (2017: Rs. 928,793) against this facility.

- Islamic Facility Agreements with three banks namely Meezan Bank Limited, Faysal Bank Limited and Habib Bank Limited for an aggregate amount of Rs. 4,000,000. As at December 31, 2018, EPTL has made draw down of Rs. 3,121,589 (2017: Rs.1,185,441) against this facility.

These loans are repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year and carries profit at the rate of 3 months KIBOR plus 3.5%. Further, the Shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided SBLCs as coverage for their equity commitments in the project.

19.3.1 During the year EPCL:

- upgraded all the charges on financing facilities to joint pari passu charge over all the present and future moveable fixed assets (excluding land and building) of EPCL; and

- in order to finance the PVC expansion, VCM debottlenecking projects and other capital projects, entered into an Ijarah Agreement with International Finance Corporation (IFC). Under the agreement, EPCL has obtained a facility of US $ 35 million repayable in five years including a grace period of two years. No draw downs have been made as at year end.

Subsequent to the year ended December 31, 2018, EPCL has reprofiled its debt structure through issuance of Sukuk bonds of Rs. 8,750,000. These carry a quarterly rental rate of 3 months KIBOR+ 0.9% and are repayable over a period of 7.5 years with the first payment commencing in June 2024.

19.3.2 During the year, EFert obtained a loan from MCB Bank Limited, Allied Bank Limited, National Bank of Pakistan and Deutsche Investitions- und Entwicklungsgesellschaft (DEG) amounting to Rs. 3,000,000, Rs. 2,100,000, Rs. 1,000,000 and US$ 15,000 respectively to finance capital expenditure. The loans have the same charge as other Senior Lenders.

19.4.1 EPTPL entered into a USD Facility Agreement on December 21, 2015 with three commercial banks namely China Development Bank Corporation, China Construction Bank Corporation and Industrial and Commercial Bank of China Limited for an aggregate amount of USD 621,000 for a period of 14 years. The amount is repayable in 20 semi-annual installments commencing from the earlier of (i) First fixed date falling after 48 months since facility effective date and (ii) Second fixed date falling after Commercial Operations Date; where fixed dates are defined as First June or First December of any year. This loan carries mark-up at the rate of 6 month Libor plus 4.2%. The facility is secured primarily through First ranking hypothecation charge over the project assets of the EPTPL. Further, the shareholders of EPTPL have committed to provide cost overrun support for 10% of entire debt and pledge shares in favor of the Security Trustee. Additionally, shareholders other than Habib Bank Limited (HBL) have also provided Stand By Letter of Credits (SBLCs) as coverage for their equity commitments in the project. As at December 31, 2018, EPTPL has made draw down of USD 504,731 (December 31, 2017: USD 324,516) against this facility.

(Amounts in thousand)

19.5 These finances are secured primarily through first ranking hypothecation charge over all the present and future movable properties, including all types of investments of the Group except for present and future trademarks, copyrights and certain investments.

19.6 In view of the substance of the transactions, the sale and repurchase of assets under long term finance have not been recorded in these financial statements.

19.7 Following are the changes in the long term borrowings for which cash flows have been classified as financing activities in the statement of cash flows:

	2018	2017
	Rupees	
Balance as at January 1	90,743,123	73,118,322
Add:		
Borrowings availed during the year	42,063,523	29,834,244
Exchange gain	14,155,523	2,155,794
Amortization of transaction cost	562,358	327,606
Less:		
Repayment of borrowings	(13,387,841)	(11,623,598)
Conversion of IFC loan option	-	(104,810)
Transaction costs	(2,710,291)	(2,964,435)
Balance as at December 31	131,426,395	90,743,123

20. EMBEDDED DERIVATIVES

Engro Powergen Qadirpur Limited's (EPQL) tariff like other power companies, comprises of various price components with indexations falling within the ambit of embedded derivatives. Such embedded derivative as per International Accounting Standard (IAS) 39, 'Financial Instrument: Recognition and Measurement' are required to be separated from the host contract and accounted for as derivative if economic characteristics and risks of the embedded derivative are not closely related to the host contract.

EPQL had sought clarification from the Institute of Chartered Accountants of Pakistan (ICAP) in respect of the indexations pertaining to (i) USD/PKR exchange rate (applicable to EPQL's price components of debt, return on equity, return on equity during construction); and (ii) US CPI & USD/PKR exchange rate (applicable to EPQL's price components of fixed and variable operations and maintenance – foreign) whether these derivatives were closely or not closely related to the host contract.

In addition, EPQL had also requested ICAP to prescribe a definite basis or guidelines for the valuation of such embedded derivatives considering the subjectivity involved therein if these were considered to be not closely related to the host contract. Further, as indexation of USD/PKR exchange rate related to debt component being not recognized separately as embedded derivative, EPQL taking cognizance of the 'matching principle' requested the Securities and Exchange Commission of Pakistan (SECP) to allow deferment of recognizing exchange loss on translation of borrowings under IAS 21 - Foreign Currency Transactions in the profit or loss till the clarification sought on the recognition of the foreign currency indexations from ICAP had been received.

On January 16, 2012, SECP vide SRO 24 (I) 2012 had granted waivers to all IPPs from the requirement of IFRIC 4 "Determining whether an arrangement contains a lease" and IFRIC 12 "Service Concession Agreements". Further, SECP through the aforementioned SRO has also allowed the IPPs to continue capitalizing the exchange differences, and not to recognize embedded derivatives under IAS 39 where these are not closely related to the host contract. However in the case of such derivatives, for periods beginning on or after January 1, 2013, the companies are required to give "Additional Disclosure" as if the accounting for embedded derivatives had been adopted in preparing the financial statements.

In view of the above SRO, EPQL has capitalised exchange loss aggregating to Rs. 3,940,553 (2017: Rs. 2,834,031) as at December 31, 2018, which includes exchange loss of Rs. 1,106,522 pertaining to current year (2017: exchange loss of Rs. 309,944) in property, plant and equipment (note 5.1).

20.1 Additional disclosure under SRO 24 (1) 2012

If EPQL were to follow IAS 39 and had accounted for embedded derivatives and had not capitalized the exchange loss on translation of foreign currency borrowing, the effect on the consolidated financial statements line items would be as follows:

	Non controlling Interest	Unappropriated profit	Derivative financial asset / (liability)	Derivative financial asset/ (liability)
	(Increase) / decrease	(Increase) / decrease	(Increase) / decrease	(Increase) / decrease
	Rupees			
As at January 1, 2017	1,929,363	4,272,382	(2,018,058)	(4,183,687)
For the year ended December 31, 2017				
- Recognition of exchange loss (net of depreciation)	58,130	128,722	(186,852)	-
- Change in fair value of derivatives	(583,933)	(1,315,205)	-	1,909,138
	(535,803)	(1,186,483)	(186,852)	1,909,138
As at December 31, 2017	1,393,560	3,085,899	(2,204,910)	(2,274,549)
For the year ended December 31, 2018				
- Recognition of loss (net of depreciation)	286,821	635,136	(921,957)	-
- Change in fair value of derivatives	(1866,906)	(4,134,076)	-	6,000,982
	(1,580,085)	(3,498,940)	(921,957)	6,000,982
As at December 31, 2018	(186,525)	(413,041)	(3,126,867)	3,726,433

21. DEFERRED LIABILITIES

	2018	2017
	Rupees	
Retirement and other service benefits obligations	373,638	327,498
Less: Current portion shown under current liabilities	113,852	103,235
	259,786	224,263

(Amounts in thousand)

22. TRADE AND OTHER PAYABLES

	2018	2017
	Rupees	
Creditors (note 22.1)	13,593,382	8,669,044
Accrued liabilities (note 22.2)	27,608,976	16,844,785
Provision against tax contingency of EVTL (note 7.3)	875,375	-
Advances from customers	4,833,749	6,161,805
Contractors'/ suppliers' deposits and retention money	126,874	175,632
Workers' welfare fund (note 30.2)	1,856,394	2,302,903
Workers' profits participation fund	380,185	181,102
Sales tax payable	139,882	225,112
Payable to retirement benefit funds	22,668	7,491
Withholding tax payable	220,298	222,621
Payable to :		
- Engro Foods Limited	1,562	1,936
- Engro Vopak Terminal Limited	178,137	47,388
Others	533,796	1,377,059
	50,371,278	36,216,878

22.1 Includes due to the following related parties:

	2018	2017
- Mitsubishi Corporation	344,807	1,461
- Engro Vopak Terminal Limited	119,241	87,390
	464,048	88,851

22.2 Includes accrual for Gas Infrastructure Development Cess (GIDC) amounting to Rs.16,697,839 (2017: Rs. 10,113,754). The Group has obtained ad-interim stay orders against the GIDC Act, 2015 from the High Court of Sindh which has restrained the gas supplying companies from charging and / or recovering the cess under the GIDC Act, 2015 till the final decision on this matter. In a separate case Peshawar High Court passed a jugdgement on May 31, 2012 validating the new GIDC Act, against which the Group has filed a petition in the Supreme Court of Pakistan.

23. ACCRUED INTEREST / MARK-UP

	2018	2017
	Rupees	
Accrued interest / mark-up on:		
- long term borrowings	2,145,752	1,377,553
- short term borrowings	96,934	83,561
	2,242,686	1,461,114

24. SHORT TERM BORROWINGS

	2018	2017
Running finances utilized under mark-up arrangements (note 24.1)	5,973,142	10,085,382
Shariah compliant short term finance (note 24.2)	668,065	-
	6,641,207	10,085,382

(Amounts in thousand)

24.1. The short-term running finances available to the Group from various banks under mark-up arrangements amounts to Rs. 41,867,000 (2017: Rs. 39,602,000). The rates of mark-up on these finances are KIBOR based and range from 0.2% to 1.5% per annum over the relevant period KIBOR (2017: 0.5% to 1.5% over the relevant period KIBOR). The aggregate running finances are secured by way of hypothecation of ranking floating charge over present and future loans, advances, receivables, stocks, book debts, and other current assets and pledge over shares.

24.2 The shariah compliant finances available to the Group from various banks carry profit rate ranging from 3% to 11.9% per annum (2017: Nil). These facilities are secured by way of floating charge on all present and future current assets of the respective Group companies.

25. CONTINGENCIES AND COMMITMENTS

Contingencies

25.1 The details of guarantees extended by the Group are as follows:

25.1.1 Corporate guarantee amounting to USD 10,000 has been issued by the Holding Company to Allied Bank Limited to open DSRA letter of credit in favour of senior long term lenders of Engro Powergen Qadirpur Limited (EPQL).

25.1.2 Following bank guarantees have been extended by other companies of the Group:

- bank guarantees amounting to Rs. 2,982,754 (2017: Rs. 2,430,860) issued by Efert in favour of third parties.

- 7 bank guarantees amounting to Rs. 5,530 each, expiring on February 8, 2020, to Baluchistan Power Development Board (BPDB) issued on February 09, 2018 by EEL to acquire Letter of Intents / development rights for 50MW x 7 project sites located in Kuchlak, Khuzdar and Punjgur areas of Baluchistan.

- bank guarantees amounting to Rs. 2,496,126 (2017: Rs. 2,496,126), issued by EPQL in favour of SNGPL, representing an amount equivalent to three months contractual quantities of gas in accordance with the terms of Gas Supply Agreement (GSA) between EPQL and the SNGPL.

- bank guarantees issued by EPTPL in favour of Collector of Customs amounting to 986,456 in respect of income tax on import of plant and machinery. The guarantees are issued under the order of the High Court where the Court has allowed the imports to be cleared without the payment of income tax till EPTL's exemption application is decided by the Chief Commissioner, Income tax. EPTPL had been availing this exemption till December 2017 and, based on advice of its tax consultant, expects the matter to be eventually decided in its favour.

  Further, EPTPL has also issued bank guarantees in favour of Collector of Customs amounting to Rs. 236,945 in respect of custom duties and sales tax on import of certain plant and machinery. Collector of Custom has requested Federal Board of Revenue (FBR) for clarity on allowing concessionary rate of duty on these items. FBR has clarified the matter in favor of the EPTPL and the bank guarantees will be released after the completion of legal formalities. These guarantees have various expiry dates.

- Letter of Guarantee issued by ETPL through National Bank of Pakistan amounting to Rs.1,157,069 (2017: Rs. 1,048,350) and Rs. 578,534 (2017: Rs. 543,329) in favour of SSGCL to guarantee performance of its obligations under the LSA. The aforementioned guarantee is secured against ECL's owned Treasury Bills equivalent to 10% margin of the facility amount and its corporate guarantee. Both of the guarantees in favour of SSCGL are valid till April 30, 2019 and are renewable annually.

(Amounts in thousand)

- bank guarantee issued by ETPL amounting to Rs. 12,500 (2017: Rs. 12,500) from Bank Al Habib Limited and Rs. 2,500 (2017: Rs. Nil) from MCB Bank Limited in favor of Custom Authorities to comply with the interim orders of the Court.

The Holding Company

25.2 In the years 2014 and 2016, the Holding Company divested some of its shareholding in Engro Fertilizers Limited (EFert). The Holding Company had held such shareholding in EFert since 2010 and is of the view that capital gain on the sale of such securities do not attract any income tax. However, the Holding Company was informed by the National Clearing Company of Pakistan Limited (NCCPL) that their clearing system shall deduct capital gain tax on such disposal and NCCPL shall deposit the same with the tax authorities. The Holding Company has obtained stays thereagainst from High Court of Sindh and has also provided bank guaranties amounting to Rs. 1,535,000 in this respect in favor of Nazir of High Court of Sindh.

25.3 In the year 2017, Engro Foods Limited (EFoods), received an order from the Competition Commission of Pakistan, imposing a penalty of Rs. 62,293 in respect of EFood's marketing activities relating to one of its products. EFoods has filed an appeal against the aforementioned order. As per the terms of the Share Purchase Agreement with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to reimburse 51% of the amount together will all reasonable cost and expenses to FCP in case any such penalty materializes. The Group, based on the opinion of the legal advisor, is confident of a favorable outcome of the appeal, and accordingly, no provision has been recognized in these consolidated financial statements in this respect.

25.4 During 2016, the Holding Company entered into a Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP) for the sale of 47.1% of the total issued shares of EFoods. In accordance with the terms of the SPA, the Holding Company is required to pay to FCP, an amount equivalent to 47.1% of any tax liability (as defined in the SPA) together will all reasonable costs and expenses incurred, in case any tax contingency materializes. The Holding Company, based on the opinion of EFoods' tax and legal advisors, is confident of favorable outcomes in respect of various tax matters being contested by EFoods, and accordingly no provision has been recognized in these consolidated financial statements in this respect.

25.5 Following are the details of shares pledged by the Holding Company in favour of Engro Energy Limited (EEL):

- The Holding Company has pledged shares of Engro Fertilizers Limited (EFert) and Engro Foods Limited (EFoods) against the Standby Letters of Credit (Equity SBLCs) provided by EEL, through National Bank of Pakistan amounting to USD 12,598 (2017: USD 14,027) and USD 17,827 (2017: USD 36,619) (in PKR equivalent) for its equity commitments related to the Sindh Engro Coal Mining Company Limited (SECMC) and Engro Powergen Thar (Private) Limited (EPTPL) in favour of the Intercreditor Agent (Habib Bank Limited) and the Project Companies (i.e. SECMC and EPTPL). Equity SBLCs expire on earlier of (i) four years after the issuance of SBLCs i.e. March 21, 2020; and (ii) fulfillment of sponsor obligations under Sponsor Support Agreements.

- The Holding Company has pledged shares of EFert and EFoods against a Standby Letter of Credit (Put Option SBLC) provided by EEL through Allied Bank Limited amounting to USD 21,070 in favour of the Put Option Fronting Bank (Habib Bank Limited). The Put Option SBLC has been furnished to meet sponsor obligations under Sponsor Support Agreement (Put Option SSA) and expires on earlier of (i) June 30, 2019; and (ii) fulfillment of sponsor obligations pursuant to Put Option SSA.

25.6 EETPL has issued Corporate and Performance guarantees amounting to USD 20,700 and USD 10,000, respectively. These guarantees have been secured by the Holding Company by pledging the shares of Engro Fertilizers Limited and Engro Foods Limited. During the year, these securities have been replaced by Treasury Bills. Further, the Holding Company also pledged Treasury Bills against SBLC of USD 5,000 issued during the year.

25.7 The Holding Company, as Sponsor Support, has permitted a bank to create ranking charge over receivables of the Holding Company and has pledged shares of Engro Fertilizers Limited and Engro Foods Limited against the Stand By Letter of Credit (SBLC) facility amounting to US Dollars 4,673 and Rs. 411,949 granted to Engro Elengy Terminal (Private) Limited.

(Amounts in thousand)

Engro Fertilizers Limited and its subsidiary companies

25.8 EFert has entered into Dealer Finance Agreements (DFAs) with different banks amounting to Rs. 4,500,000 (2017: Rs. 4,500,000) consequent to which the banks will provide financial assistance to dealers approved by EFert. In respect to DFA of Rs. 3,000,000 from the banks, EFert has agreed to bear 5% to 10% of the principal in case of default by the dealers.

As at December 31, 2018, the banks have made disbursements to dealers under the DFAs amounting to Rs. 1,226,631 (2017: Rs. 1,226,631) maturing on various future dates.

25.9 EFert had filed a constitutional petition in the SHC, Karachi against the Ministry of Petroleum and Natural Resources (MPNR), Ministry of Industries and Production (MIP) and Sui Northern Gas Pipeline Company Limited (SNGPL) for continuous supply of 100 mmscfd gas per day to EFert's new plant (Enven) and to prohibit from suspending, discontinuing or curtailing the aforementioned supply. The HCS in its order dated October 18, 2011, has ordered that SNGPL should supply 100 mmscfd of gas per day to the EFert's new plant. However, five petitions have been filed in the Supreme Court of Pakistan against the aforementioned order of the HCS by SNGPL, MPNR, Agritech Limited, Pak Arab Fertilizers and Kohinoor Mills Limited alongwith 21 other companies (mainly engaged in textile business). The aforementioned petitions are pending for further hearing. EFert's management, as confirmed by the legal advisor, considers the chances of these petitions being allowed to be remote.

Further, EFert upon continual curtailment of gas after the aforementioned decision of the HCS has filed an application in respect of Contempt of Court under Article 199 & 204 of the Constitution of Pakistan. EFert, in the aforementioned application has submitted that SNGPL and MPNR has failed to restore full supply of gas to EFert's plant despite the judgment of the HCS in EFert's favor. A show cause notice has also been issued against MPNR and SNGPL dated December 31, 2011 by the HCS. The application is pending for hearing and no orders have yet been passed in this regard.

25.10 All Pakistan Textile Processing Mills Association (APTPMA), Shan Dying & Printing Industries (Private) Limited, Agritech Limited (Agritech) and 27 others have each contended, through separate proceedings filed before the Lahore High Court that the supply to EFert's expansion plant is premised on the output of Qadirpur gas field exceeding 500 mmscfd by 100 mmscfd and the Gas Sale and Purchase Agreement (GSA) dated April 11, 2007 between EFert and Sui Northern Gas Pipeline Limited (SNGPL) be declared void ab initio because the output of Qadirpur gas field has infact decreased. Agritech has additionally alleged discrimination in that it is receiving less gas than the other fertilizer companies on the SNGPL system. EFert has out rightly rejected these contentions, and is of the view that it has a strong case for the reasons that (i) 100 mmscfd gas has been allocated to EFert through a transparent international competitive bidding process held by the Government of Pakistan, and upon payment of valuable license fee; (ii) GSA guarantees uninterrupted supply of gas to the expansion plant, with right to first 100 mmscfd gas production from the Qadirpur gas field; and (iii) both EFert and gas field (Qadirpur), that is to initially supply gas to EFert, are located in Sindh. Also neither the gas allocation by the Government of Pakistan nor the GSA predicates the gas supply upon Qadirpur field producing 100 mmscfd over 500 mmscfd. No orders have been passed in this regard and the petition has also been adjourned sine die. However, Group management, as confirmed by the legal advisor, considers chances of petitions being allowed to be remote.

25.11 EFert in the year 2013 along with other fertilizer companies, received a show cause notice from the Competition Commission of Pakistan (CCP) for initiating action under the Competition Act, 2010 in relation to unreasonable increase in fertilizer prices. EFert has responded in detail that factors resulting in such increase were mainly the imposition of infrastructure cess and sales tax and partially the gas curtailment. The CCP has issued an order in March 2013, whereby it has held that EFert enjoys a dominant position in the urea market and that it has abused this position by unreasonable increases of urea prices in the period from December 2010 to December 2011. The CCP has also held another fertilizer company to be responsible for abusing its dominant position. In addition, the CCP has imposed a penalty of Rs. 3,140,000 and Rs. 5,500,000 on EFert and other fertilizer company, respectively. An appeal has been filed in the Competition Appellate Tribunal (CAT) and a writ has been filed in the HCS and stay has been granted against the recovery of the imposed penalty. Hearings have been conducted at CAT where Farmer Association has filed an internal application.

In case of other fertilizer company, the CAT has transferred the case back to the CCP for reassessment. EFert has challenged the composition of the CAT. EFert's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect.

(Amounts in thousand)

25.12 During 2015, EFert received a sales tax order from the tax department for the year ended December 31, 2013 pertaining to discharge of output tax liability, on assumed production of urea amounting to Rs. 402,875 and on presumption that output tax liability is not being discharged by EFert on advances received from dealers amounting to Rs. 1,844,075. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) which decided the matters in favour of EFert. The department thereafter challenged the decision of the CIR(A) with the Appellate Tribunal Inland Revenue, which is pending to be heard. No provision has been made in this respect in these consolidated financial statements.

25.13 On July 3 2018, the Deputy Commissioner Inland Revenue (DCIR), LTU raised an order for the period June 2016 to July 2017 with a demand of Rs. 1,006,000 mainly on account of further sales tax to be charged on sales to unregistered persons. EFert filed an appeal thereagainst with the Commissioner Inland Revenue (Appeals) (CIRA) who disposed off the appeal in favor of the taxation department on September 24, 2018. A constitutional petition against the said order has been filed with the HCS and stay for recovery of demand against CIRA's order was obtained on October 31, 2018. Group's management believes that the chances of ultimate success are very good, as confirmed by legal advisor, hence, no provision has been made in this respect in these consolidated financial statements.

25.14 In the year 2017, the High Court of Islamabad in its order dated June 8, 2017 declared that the income derived by M/s Snamprogetti Engineering (the Contractor) from its contract with EFert, is subject to tax as per Clause 4 of Article 5 of Double Taxation Treaty between Pakistan and the Netherlands. As per the terms of the contract, EFert is liable to reimburse the Contractor for any taxes applied to the income of the Contractor under the contract by the taxation authorities. In respect thereof, the Contractor has preferred an appeal in the Supreme Court of Pakistan.

The management of the Group based on the opinion of legal counsel, is of the view that the income of the Contractor is exempt from tax under the aforementioned clause of the Double Taxation Treaty and the matter will be decided in favour of the Contractor and, hence, no provision has been made in these consolidated financial statements in this respect.

25.15 EFert is contesting a penalty of Rs. 115,631 paid and expensed in the year 1997, imposed by the State Bank of Pakistan (SBP) for alleged late payment of foreign exchange risk cover fee on long term loans and has filed a suit in the High Court of Sindh (HCS). Out of the total penalty Rs. 62,618 was refunded in the year 1999 by the SBP, while the recovery of balance amount is dependent on the decision of the HCS.

25.16 EFert had commenced two separate arbitration proceedings against the Government of Pakistan for non-payment of marketing incidentals relating to the years 1983-84 and 1985-86. The sole arbitrator in the second case has awarded EFert Rs. 47,800, whereas the award for the earlier years is awaited. The award for the second arbitration was challenged in the HCS. In December 2013, the HCS has upheld the award. However, as this can be challenged by way of further appeals, it will be recognised as income on realisation thereof.

Engro Energy Limited and its subsidiary companies

25.17 Faysal Bank Limited (FBL) has issued a performance guarantee of USD 16,517 on behalf of EPTPL in favour of National Transmission and Dispatch Company (NTDC) to secure EPTPL's performance obligations under the Power Purchase Agreement. The performance guarantee expires on July 25, 2019 and is secured by way of performance bonds issued under Offshore Supply and Services Agreement with China Machinery Engineering Corporation (CMEC) and Onshore Supply and Services Agreement China East Resources Import and Export Corporation (CERIEC) and ranking charge over all (present and future) fixed assets, current assets, book debts and receivable of EPTPL.

25.18 Habib Bank Limited (HBL), a related party, has issued a guarantee of Rs. 4,725,000 on behalf of EPTPL in favor of SECMC to secure EPTPL's payment obligations under the Coal Supply Agreement. The guarantee expires on July 20, 2019 and is secured by first ranking mortgage over receivables due under the Power Purchase Agreement (PPA), mortgage over the EPTPL's rights and benefits under all project documents and project insurances, first ranking hypothecation charge over all movable assets (current and future) of EPTPL, equitable mortgage over EPTPL's immovable property, with a 20% margin. Further, the shareholders of EPTPL shall pledge shares in favor of the Security Trustee.

(Amounts in thousand)

25.19 In November 2017, EPTPL received a demand from Additional Commissioner Inland Revenue (ACIR) amounting to Rs. 1,489,327, inclusive of default surcharge Rs. 202,994, on account of non-withholding of tax on payments made by EPTPL to its contractors CMEC and CERIEC under the 'Offshore Supply and Services Agreement for Power Plant' and 'Onshore Supply and Services Agreement for Power Plant' respectively in relation to construction of the power plant being set up by the EPTPL. The ACIR was of the view that the aforementioned payments attract the requirements of withholding of taxes under the Income Tax Ordinance, 2001 (ITO) and as such the EPTPL was required to withhold tax from such payments. EPTPL filed an appeal to Commissioner Inland Revenue (Appeals) [CIR(A)] with the view that payments to CERIEC fall under the ambit of a specific exemption from withholding of taxes under ITO for coal mining and coal based power generation projects in Sindh. Further, payments to CMEC are made for supply of plant and machinery and the EPTPL, being an importer, is not liable to withhold taxes.

During the year, CIR(A) decided in favor of Tax Authorities and maintained the order of ACIR. EPTPL paid Rs. 250,000 thousand to the tax authorities 'under protest' in addition to obtaining a stay order from Appellate Tribunal Inland Revenue (ATIR) whereby ATIR restrained the ACIR from initiating recovery proceedings against EPTPL. EPTPL based on advice of its tax consultants and legal advisor expects the matter to be eventually decided in its favour.

Elengy Terminal Pakistan Limited and its subsidiary company

25.20 The Sindh Finance Act, 1994, prescribed the imposition of an infrastructure fee at the rate of 0.5% of the C&F value of all goods entering or leaving the province of Sindh via sea or air. The Act thereafter was last amended through Sindh Finance Act, 2014 according to which infrastructure fee will range from 0.9% to 0.95% of total value of goods as assessed by the Custom Authorities (the Authorities) plus one paisa per kilometer against various slab of net weight of goods.

In July 11, 2014, Engro Elengy Terminal (Private) Limited (EETPL) filed a petition against the aforementioned levy before SHC where it is currently pending. Earlier, the Court through an interim order on petitions filed by other companies, directed companies to clear the goods on paying 50% of the amount of levy and furnishing bank guarantee / security for the balance amount. The payment of 50% of the amount of levy has been expensed out in the consolidated financial statements.

In this respect, EETPL has paid 50% of the above levied cess and has provided bank guarantee amounting to Rs. 15,000 (2017: Rs. 12,500) in favor of the Custom Authorities to comply with interim orders of the Court. The bank guarantee shall continue and remain valid until the decision of the Court in the above mentioned cases. The bank guarantee is secured against lien over deposit. However, based on the merits of the case and as per the opinion of its legal advisor, EETPL expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

25.21 In 2014, EETPL imported steel linepipes (the goods) for the LNG Project, on which the authorities allowed exemption from custom duty, however, refused to allow exemption from sales tax. EETPL filed a petition before the Court against levy of sales tax on the goods and to restrain the authorities from hindering clearance of the same. Under interim orders, the Court directed the authorities to release the goods subject to deposit of pay order with the Nazir of the Court amounting to Rs. 9,026 which has been duly deposited. The matter is currently pending for further hearing.

Further, during the year, EETPL received various orders on December 12, 2017 in respect of the import of pipeline material for natural gas during 2014 and 2015, raising an aggregate demand of Rs. 148,282 in respect of customs duty, sales tax and advance income tax on the same. However, EETPL being exempted from levy of customs duty and sales tax, filed a petition before the Court on February 14, 2018, and has obtained stay in this regard.

The Group based on the merits of the case and as per the opinion of legal advisor, expects a favorable outcome on the matter and accordingly no provision has been made in this respect in these consolidated financial statements.

(Amounts in thousand)

25.22 EETPL, in connection with the import of FSRU received a demand from Customs Authority amounting to Rs. 1,530,494 contending that the import of FSRU attracts payment of advance income tax. EETPL is of the view that the EETPL's profits and gains are exempt from income tax for 5 years from the date of commercial operations. EETPL in response to the above demand has filed an appeal based on which the Chief Commissioner Inland Revenue remanded the case back to the concerned commissioner, which again rejected the request for exemption against which the EETPL filed an appeal before CCIR. The Group, based on the merits of the case and opinion of its tax consultant and legal advisor, is expecting a favorable outcome in this case. Accordingly no provision has been recorded in this respect in these consolidated financial statements.

Engro Polymer and Chemicals Limited

25.23 The Deputy Commissioner Inland Revenue (DCIR) through order dated January 8, 2016, raised a sales tax demand of Rs. 524,589 on account of alleged short payment of sales tax due on the finished products of Engro Polymer and Chemicals Limited (EPCL) that would have been produced and sold from the excess wastage of raw material. EPCL filed thereagainst before the Commissioner Inland Revenue Appeals [CIR(A)] on the grounds that the order passed against EPCL was absolutely baseless as the DCIR had used inappropriate theoretical assumptions for calculating the sales tax liability. The CIR(A) through his order dated March 10, 2016, has decided the matter in favor of the Group. However, the department has challenged the said order of CIR(A) before Appellate Tribunal Inland Revenue (ATIR). No proceedings regarding this matter has been carried out by ATIR, till the year end. The Group, based on the advice of its tax consultant, is confident of favourable outcome of this matter, accordingly, no provision has been made in this respect in these consolidated financial statements.

Engro Eximp Agriproducts (Private) Limited

25.24 EEAPL had received a show cause notice from Punjab Revenue Authority(PRA) in respect of the voliation of section 14 & 19 of Act 2012, stating that EEAPL failed to withhold payments of Rs 26,417. After perpusing the case with the relevant Commissioner, the Commissioner passed an order demanding Rs 16,424. In response, EEAPL filed an appeal before Lahore High Court & Commissioner Appeals (PRA Appeals). Based on the views of tax advisor, the management believes that the matters will ultimately be decided in the favour of EEAPL. Accordingly, no provision has been made in these consolidated financial statements.

25.25 During the year ended December 31, 2017, the tax department had raised a demand of sales tax of Rs. 250 million, on Engro Eximp Agriproducts (Private) Limited (EEAPL), for not charging sales tax on rice husk / rice bran for the tax year 2015. There was an error in the order as the department had treated all the by-products falling under the category of rice bran or rice hull / husk; though in reality the proportion of these two products among by-products is comparatively low while rice bran was admittedly exempt during that period. As the value of rice husk was wrongly taken, the Commissioner (Appeals) has vacated the order and demand but upheld the legal position regarding charging of sales tax on rice husk. EEAPL has gone in appeal as it is of the view that the department is not treating husk correctly. Currently, the matter is pending before the Appellate Tribunal.

25.26 EEAPL had received a notice under section 122(1)/(5) in which the department had reduce the losses by Rs. 35,921. The Company, in response to the amended assessment order, had filed an appeal before Commissioner Inland Revenue (Appeals) which reverted the case to the Commissioner and directed to assess the case in the light of evidences and supports available with the management. Based on the views of tax advisor of EEAP, the management believes that the matters will ultimately be decided in the favour of EEAP. Accordingly, no provision has been made in these financial statements.

25.27 Claims, including pending lawsuits, acknowledged as debts amounted to Rs. 58,680 (2017: Rs. 58,680).

Associated company and joint venture

25.28 Details of material contingencies which might affect share of profit from associates and joint venture are as follows:

25.28.1 The Deputy Commissioner Inland Revenue has issued show cause notices to EFoods for sales tax on tea whitener and dairy drink product i.e. 'Tarang' and 'Omung' respectively for years 2013, 2014, 2015 and 2016 aggregating to Rs. 14,886,500 challenging the exemption / zero rating on these products. Against the show cause notices EFoods has filed Constitution Petitions before the High Court of Sindh and has obtained an interim injunction against adverse action by tax authorities. Based on the opinion of its legal advisor, EFoods is confident of a favourable outcome of this matter.

(Amounts in thousand)

25.28.2 In 2014, EVTL received a show cause notice from the Commissioner Inland Revenue (CIR) dated April 9, 2014 requiring Federal Excise Duty (FED) to be paid for the revenue earned during the period January to December 2012 amounting to Rs. 380,123. In response thereagainst, EVTL filed an appeal in the High Court of Sindh (the Court) along with application for stay on the grounds that after the 18th Amendment in Constitution of Pakistan in 2010, tax on services is a subject for the Provincial Government and thus, the 16% General Sales Tax (GST) for the same, is being paid to the Sindh Revenue Board. The Court has granted stay order thereagainst and further proceedings are pending. However, the Group based on the advice of the legal advisor is confident of a favourable outcome and, accordingly, no amount has been recognised in the share of profit from associate and joint venture in these consolidated financial statements.

Commitments

25.29 Details of commitments as at December 31, 2018 entered by the Group are as follows:

25.29.1 Commitments in respect of capital and operational expenditure contracted but not incurred amount to Rs. 23,026,122 (2017: Rs.45,520,107).

25.29.2 The aggregate facilities available to Group for opening Letter of credits and bank guarantees, other than those disclosed elsewhere in these consolidated financial statements, amounts to Rs. 22,419,558 (2017: Rs. 18,689,246). The unutilized balance as at December 31, 2018 amounts to Rs. 19,571,498 (2017: Rs.16,616,076).

25.29.3 EPCL has entered into contracts with Engro Vopak Terminal Limited for the storage and handling of Ethylene which is valid till March 2026. Contracts in respect of the storage of Vinyl Chloride Monomer (VCM) and Ethylene Di-Chloride (EDC) dated December 2018 are in the process of being renewed. Annual fixed cost payable to Engro Vopak Terminal Limited under these contracts approximates to USD 9,165.

25.29.4 EEAL has entered into export selling contracts of 9,521 (2017: 9,550 tons) of Super Basmati Rice to various parties on a agreed terms for delivery on various dates subsequent to the year end.The sales value of these open commitments at year end exchange rate amounts to Rs.1,181,436 (2017: Rs.1,002,958).

25.29.5 During the current year, EPSH entered into an Operations and Maintenance Agreement with CHD Power Plant Operation Company Limited (CHD) as per the terms of which EPSH was required to pay a pre-commercial operations date mobilization fee to CHD of USD 4,460,000 of which USD 2,230,000 is outstanding as at December 31, 2018. The project is expected to achieve Commercial Operations Date by June 3, 2019.

25.29.6 EETPL under the Time Charter Party and LNG Storage and Re-gasification Agreement (Agreement) with Excelerate Energy Middle East, LLC (EE) has furnished Standby Letter of Credit (SBLC) through National Bank of Pakistan amounting to USD 20,700 (2017: USD 20,700) to EE. This SBLC is valid till March 7, 2019 and is renewable annually.

25.29.7 EETPL procured LC facility during the year from National Bank of Pakistan for opening letters of credit amounting to USD 4,000 for import of Marine Loading Arm in favor of EMCO Wheaton GMBH. The total amount utilized against the facility for letters of credit amounts to Euro 173 (2017: Euro Nil). This facility is secured against lien over import documents.

25.29.8 Engro Energy Limited (EEL) has also provided sponsor support contractual commitment, among other commitments, in favor of Senior Lenders amounting to USD 5,400 and USD 41,600 as cost overrun support pursuant to the Sponsor Support Agreements (SSA) dated February 22, 2016 for SECMC and February 1, 2016 for EPTL respectively (and the Amendment and Restatement Agreement dated February 12, 2016 relating to the SSA in case of EPTL).

(Amounts in thousand)

25.29.9 The Group has entered into operating lease arrangements for obtaining various storage facilities, office facilities, Time Charter Party and LNG Regasification. The future aggregate payments under these arrangements are as follows:

	2018	2017
	Rupees	
Not later than 1 year	5,591,379	4,446,050
Later than 1 year and no later than 5 years	24,426,766	19,399,206
Later than 5 years	38,341,334	35,336,319
	68,359,479	59,181,575

25.29.10 Commitments given by the associated companies and joint venture in respect of capital and operational expenditure amount to Rs. 10,020,300 (2017: Rs. 30,473,045). Other commitments include arrangements in respect of standby letters of credit and Ijarah which are not material to the Group.

26. REVENUE

	2018	2017
	Rupees	
Own manufactured products (note 26.1)	124,315,998	101,587,557
Less:		
Sales tax	(9,670,660)	(10,898,942)
Discounts	(360,984)	(455,744)
	114,284,354	90,232,871
Purchased product / Services rendered	60,113,709	39,963,635
Less: Sales tax	(2,829,825)	(1,603,995)
	57,283,884	38,359,640
	171,568,238	128,592,511

26.1 Includes export sales amounting to Rs. 2,857,507 (2017: Rs. 1,638,485).

(Amounts in thousand)

27. COST OF REVENUE

	2018 Rupees	2017
Cost of goods sold (note 27.1)	111,204,177	86,212,807
Cost of services rendered (note 27.2)	9,255,589	7,573,463
	120,459,766	93,786,270

27.1 Cost of goods sold

	2018	2017
Raw and packing materials consumed including unprocessed rice	36,080,329	24,060,795
Salaries, wages and staff welfare (note 27.1.2)	4,221,010	3,626,749
Fuel and power	20,032,256	18,371,639
Repairs and maintenance	1,570,319	1,546,897
Depreciation (note 5.4)	6,905,789	6,804,730
Amortization (note 6.1)	24,248	21,791
(Reversal of provision) / Provision for Impairment against operating assets (note 5.5)	(403,516)	107,854
Consumable stores	1,056,423	852,057
Staff recruitment, training, safety and other expenses	274,783	404,448
Purchased services	1,034,191	796,660
Storage and handling	1,371,309	1,110,400
Travel	218,928	208,485
Communication, stationery and other office expenses	134,749	125,864
Insurance	749,051	601,387
Rent, rates and taxes	78,066	29,596
Provision / (Reversal of provision) against:		
- stock-in-trade	-	(31,565)
- surplus and slow moving spares (note 10.1)	265,105	221,052
Other expenses	46,568	83,570
Manufacturing cost	73,659,608	58,942,409
Add: Opening stock of work-in-progress (note 11)	47,372	32,868
Less: Closing stock of work-in-progress (note 11)	43,373	47,372
	3,999	(14,504)
Cost of goods manufactured	73,663,607	58,927,905
Add: Opening stock of finished goods manufactured (note 11)	3,543,390	6,333,929
Less: Closing stock of finished goods manufactured (note 11)	2,596,777	3,543,390
	946,613	2,790,539
Cost of goods sold		
- own manufactured product	74,610,220	61,718,444
- purchased product (note 27.1.1)	36,593,957	24,494,363
	111,204,177	86,212,807

27.1.1 Cost of goods sold - purchased product

	2018	2017
Opening stock (note 11)	4,638,428	1,135,905
Add: Purchases	40,938,412	27,996,886
Less: Closing stock (note 11)	8,982,883	4,638,428
	36,593,957	24,494,363

27.1.2 Includes Rs. 252,797 (2017: Rs. 244,575) in respect of staff retirement benefits.

(Amounts in thousand)

27.2 Cost of services rendered

	2018 Rupees	2017
Fixed expenses (note 27.2.1)	6,790,703	5,389,081
Variable expenses (note 27.2.2)	1,709,105	1,384,891
Depreciation (note 5.4)	478,016	543,632
Amortization of direct cost on FSRU	86,516	86,516
Salaries, wages and benefits	40,168	37,500
Repairs and maintenance	104,875	81,254
Travelling and entertainment	11,894	11,692
Security and other expense	34,312	38,897
	9,255,589	7,573,463

27.2.1 This includes expenses in respect of rental, operating and maintenance charges of FSRU and for its use as LNG carrier amounting to Rs. 6,615,637 (2017: Rs. 5,228,639).

27.2.2 This includes royalty paid to Port Qasim Authority amounting to Rs. 1,051,378 (2017: Rs. 865,220).

28. SELLING AND DISTRIBUTION EXPENSES

	2018 Rupees	2017
Salaries, wages and staff welfare (note 28.1)	1,115,784	829,270
Staff recruitment, training, safety and other expenses	168,720	90,246
Product transportation and handling	5,750,047	5,592,678
Repairs and maintenance	8,132	6,510
Advertising and sales promotion	632,317	482,222
Rent, rates and taxes	411,288	591,378
Communication, stationery and other office expenses	33,358	27,081
Travel	155,218	95,131
Depreciation (note 5.4)	71,384	39,412
Amortization (note 6.1)	11,530	7,543
Purchased services	107,376	29,818
Others	23,102	58,947
	8,488,256	7,850,236

28.1 Includes Rs. 74,296 (2017: Rs. 61,718) in respect of staff retirement benefits.

(Amounts in thousand)

29. ADMINISTRATIVE EXPENSES

	2018 Rupees	2017 Rupees
Salaries, wages and staff welfare (notes 29.1)	1,720,525	1,667,172
Staff recruitment, training, safety and other expenses	165,958	87,876
Repairs and maintenance	46,472	103,606
Human resource development	658,883	164,196
Advertising	134,451	93,408
Rent, rates and taxes	703,651	561,007
Communication, stationery and other office expenses	133,972	119,969
Travel	133,287	174,641
Depreciation (note 5.4)	101,363	74,391
Amortization (note 6.1)	34,040	21,864
Purchased services	674,943	449,660
Donations	308,187	201,537
Directors remuneration	479,594	144,807
Others	299,000	90,246
	5,594,326	3,954,380

29.1 Includes Rs. 209,934 (2017: Rs. 184,338) in respect of staff retirement benefits.

30. OTHER INCOME

	2018 Rupees	2017 Rupees
Financial assets:		
Income on deposits / other financial assets	5,243,395	4,053,539
Income on shariah compliant deposits	1,228	183
Exchange gain	219,208	15,166
Interest on receivable from SSGCL	189,374	193,671
Delayed payment charges on overdue receivables	537,066	287,528
Non financial assets:		
Subsidy from Government of Pakistan	1,271,334	4,980,288
Insurance claims (note 30.1)	841,790	110,065
Gain on disposal of property, plant and equipment (note 5.4)	22,647	703,053
Income from sale of spares / scrap	37,677	59,336
Reversal of Worker's Welfare Fund (note 30.2)	650,110	-
Others	133,539	86,066
	9,147,368	10,488,895

30.1 For the period from February 2017 to July 2018, EPCL experienced business interruption due to delay in the supply of Ethylene under a contract with a foreign supplier. As a result of this EPCL had to make Ethylene purchases at spot from other available suppliers. EPCL had an insurance cover in respect of this interruption through which the differential of the contracted price and spot price was reimbursable to it by the insurer. The total amount acknowledged by the insurer in respect of this claim amounted to Rs. 841,790, of which Rs. 358,659 has been received during the year.

(Amounts in thousand)

30.2 In 2016, the Supreme Court of Pakistan, through its order dated November 10, 2016 decided that the changes to the WWF Ordinance, 1971 made through Finance Acts, 2006 and 2008 were ultra vires to the constitution of Pakistan. However, the taxation authorities had proceeded to file a review petition thereagainst in the Supreme Court of Pakistan, which is in the process of being heard. Based on the advice of the legal advisor, the aforementioned provision amounting to Rs. 855,748 has been reversed during the year.

31. OTHER OPERATING EXPENSES

	2018 Rupees	2017 Rupees
Workers' profits participation fund	1,493,005	968,983
Workers' welfare fund	555,443	306,322
Legal and professional charges	486,174	511,414
Research and development	244	57,144
Provision against tax contingency of EVTL (note 7.3)	875,375	-
Auditors' remuneration (note 31.1)	41,849	53,876
Provision for doubtful debts	17,230	9,628
Exchange loss	280,212	114,798
Impairment against long-term investment (note 31.2)	154,560	-
Others (note 31.3)	517,540	379,089
	4,421,632	2,401,254

31.1 Auditors' remuneration:

The aggregate amount charged in respect of auditors' remuneration, including remuneration of auditors' of foreign subsidiaries, is as follows:

	2018 Rupees	2017 Rupees
Fee for:		
- audit of annual financial statements	13,180	10,302
- review of half yearly financial statements	2,256	2,836
Special audits, certifications, review of compliance with Code of Corporate Governance and other assurance & advisory services	8,337	12,230
Taxation services	15,746	23,920
Reimbursement of expenses	2,330	4,588
	41,849	53,876

31.2 In 2015, EPIH purchased 333,333 shares of Magboro Power Company Limited (MPCL) against a consideration of USD 1,400 in pursuance of a Sale Purchase Agreement to ultimately acquire 1,666,667 shares of MPCL. During the year, in view of financial challenges being faced by MPCL, the management concluded that there are multiple uncertainties involved in proceeding with MPCL's project. Accordingly, based on an assessment, an impairment loss amounting to Rs. 154,560 against investment in MPCL has been recorded in these consolidated financial statements.

(Amounts in thousand)

31.3 Under the Share Purchase Agreement (SPA) with FrieslandCampina Pakistan Holding B.V. (FCP), the Holding Company is required to pay FCP an amount equal to 51% of the sales tax receivable of Engro Foods Limited (EFoods), an associated company, recognized in the financial years 2012 to 2016, if it is not recovered by EFoods within six years after it is recognized. Accordingly, on prudence basis, the Holding Company has recognized its liability under the SPA being 51% of the sales tax receivable pertaining to EFoods being sales tax short recovered till December 31, 2018 amounting to Rs. 52,000, included above.

32. FINANCE COST

	2018	2017
	Rupees	
Interest / mark-up on:		
- long term borrowings	2,616,418	2,807,586
- short term borrowings	445,846	959,919
Markup on shariah compliant borrowings	828,782	698,418
Foreign exchange loss, net	984,374	223,586
Others	577,801	441,126
	5,453,221	5,130,635

33. SHARE OF INCOME FROM JOINT VENTURE AND ASSOCIATES

	2018	2017
Joint venture:		
Engro Vopak Terminal Limited (EVTL)		
Share of profit before taxation	1,255,425	1,276,477
Less: Share of provision for taxation	(156,798)	(144,393)
	1,098,627	1,132,084
Less: Provision against tax contingency (note 7.3)	1,355,679	-
Add: Reversal of WWF	89,280	-
	(167,772)	1,132,084
Associates:		
Share of profit / (loss) from:		
- Sindh Engro Coal Mining Company Limited	(3,232)	(2,359)
- GEL Utility Limited	277,893	182,029
- Siddique Sons Energy Limited	(3,691)	-
- Engro Foods Limited	25,449	151,341
	128,647	1,463,095

34. TAXATION

	2018	2017
Current		
- for the year	13,743,382	8,650,949
- for prior years	1,667,136	224,035
	15,410,518	8,874,984
Deferred	(2,615,199)	2,256,995
	12,795,319	11,131,979

Details of significant income tax matters are as follows:

34.1 The Holding Company

34.1.1 In 2016, an amendment was introduced in the Income Tax Ordinance 2001 (the Ordinance) via the Finance Act 2016 which imposed tax on inter-corporate dividends, previously exempt to companies designated as a Group under section 59B of the Ordinance. The Holding Company has challenged the application of the aforementioned amendment in the High Court of Sindh and has been granted a stay in this respect.

34.1.2 Consistent with the prior year, the Holding Company has opted to be taxed as a single fiscal unit with its wholly owned subsidiaries (Engro Energy Limited and Engro Eximp Agriproducts (Private) Limited) for the year ended December 31, 2018. During the year, the Holding Company has filed group tax return under section 59AA of the Income Tax Ordinance, 2001 for the year ended December 31, 2017.

34.1.3 In 2013, the income tax department, in respect of the tax year 2011, determined additional income tax liability of Rs. 218,790 and raised a demand of Rs. 139,575 whereby the Deputy Commissioner Inland Revenue (DCIR) - Audit disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Holding Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals who maintained the apportionment of expenses against dividend income and capital gains but allowed the allocation of administrative expenses against interest income, thereby reducing the income tax liability to Rs. 184,191 and revised the demand to Rs. 104,976. The Holding Company paid Rs. 53,250 thereagainst and simultaneously filed an appeal against the CIR - Appeals decision with Appellate Tribunal Inland Revenue (ATIR) which granted a stay to the Holding Company. During 2014, the ATIR issued an order whereby the aforementioned appeal was remanded back to the assessing officers for denovo proceedings, thereby accepting the Holding Company's contention. The income tax department, in response thereagainst, had filed an appeal with ATIR, which was dismissed during 2016.

34.1.4 In 2014, the income tax department in respect of tax year 2012, amended the assessment and raised an additional demand of Rs. 250,773 on similar grounds as above. The Holding Company filed an appeal against the said order with CIR - Appeals, who based on ATIR's order for tax year 2011, has remanded back the order to assessing officers for denovo proceedings.

34.1.5 In 2015, in respect of pending tax assessments for tax year 2011 and tax year 2012, the Holding Company received notices of demand amounting to Rs. 105,955 and Rs. 250,773, respectively, whereby the Deputy / Additional Commissioner Inland Revenue - Audit again disallowed allocation of expenses against interest income and apportioned expenses against dividend income and capital gains. The Holding Company filed appeals thereagainst with the CIR - Appeals and also obtained stays from the High Court of Sindh from initiating any recovery proceedings in respect of both tax years. During 2016, in respect of tax year 2011 and tax year 2012, the CIR - Appeals accepted the Holding Company's plea and annulled the order passed by the DCIR. In response, the DCIR filed appeals before the ATIR for rectification of the orders passed by the CIR - Appeals for both tax years, which were subsequently dismissed. In the previous year, the Holding Company has reversed excess provision of Rs. 168,896 in respect of tax years 2011 and 2012 consequent to denovo proceedings after which the amended orders were passed in respect of the aforementioned tax years, wherein, the Commisioner has maintained the classification of income from interest on bank deposits and from subordinated loans as "income from other sources". In response, the Holding Company has filed an appeal challenging this contention and the Holding Company is confident of favourable decision based on earlier ATIR judgment.

(Amounts in thousand)

34.1.6 In 2017, the income tax department, in respect of the tax year 2015, determined additional income tax liability of Rs. 128,400 raising a demand of Rs. 156,719, whereby, the Additional Commissioner Inland Revenue (ACIR) - Audit has levied tax on inter-corporate dividends, super tax on exempt income and disallowed allocation of expenses against interest income. In response, the Company filed an appeal with the Commissioner Inland Revenue (CIR) - Appeals which was heard on May 22, 2018 but no order has been passed to date. The Holding Company, based on advice of its tax consultant, is confident that these matters will be decided in favor of the Holding Company. However, on prudence, the Holding Company has recorded provision against super tax.

34.1.7 In 2017, the Additional Commissioner Inland Revenue (ACIR) amended the order for the year 2016 creating tax demand of Rs 1,484,903. This is mainly on account of tax levied on inter-corporate dividend, super tax and disallowance on account of allocation of expenses to dividend and capital gains. The Holding Company filed an appeal before the Commissioner (Appeals) and also filed an application for rectification before the ACIR. The Commissioner (Appeals) while disposing of the Holding Company's appeal maintained the order of ACIR with respect to certain issues which were further contested before the Appellate Tribunal Inland Revenue (ATIR). The hearing before the ATIR was held on June 4, 2018, however, the order has not yet been received.

The ACIR through rectified order dated August 29, 2017 reduced the demand to Rs 1,084,733. Through the said order, the ACIR accepted the Holding Company's contention relating to various matters except for allowing the expenses allocated to capital gains. The Holding Company contested this matters in appeal before the CIR(A) who has recently maintained the order of ACIR. The Company is in process of filing an appeal before ATIR.

34.1.8 Pursuant to the Finance Act, 2017, section 5A 'Tax on undistributed reserves' of the Income Tax Ordinance, 2001 was substituted by 'Tax on undistributed profits' whereby for tax year 2017 and onwards, a tax has been imposed at the rate of 7.5% of profit-before-tax, on every public company, that derives profit for a tax year but does not distribute at least 40% of its after-tax-profits within six months of the end of the tax year, through cash or bonus shares.

The Group has obtained a stay on the levy of aforesaid tax from the SHC, based on the grounds that this tax is applicable on the accounting profit-before-tax, that does not represent real income which can be taxed under the law and that the requirement to distribute profits or pay tax, amounts to an interference in corporate actions and implies amendment to the relevant company laws, which give shareholders the discretion to approve dividends. Furthermore, it is the contention of the Group that such an amendment to company laws could not have been made through a money bill.

The Group, based on the opinion of its legal advisor is confident that it has a reasonable case in favor of the Group.

Subsidiary Companies

34.2 Engro Fertilizers Limited (EFert) and its subsidiary companies

34.2.1 In 2015, the income tax department amended the assessment filed by EFert for tax year 2014. EFert filed an appeal before the Commissioner Inland Revenue (Appeals) against the disallowances, which mainly pertained to exchange gain and loss, loss on derivative and losses purchased from Engro Eximp Agriproducts (Private) Limited, an associate, under section 59B of the Income Tax Ordinance, 2001 resulting in additions to taxable income of Rs. 3,191,963. In addition the tax department raised demand for the Alternative Corporate Tax through the same order, for which EFert specifically obtained a stay order. The hearing of the aforesaid appeal was held on October 15, 2018 before the CIR(A) where written arguments were submitted by the Commissioner and the case has been reserved for order.

(Amounts in thousand)

34.2.2 In 2014, the income tax department amended the assessment filed by the Holding Company for tax years 2010 and 2011.EFert filed appeals thereagainst before the Appellate Tribunal Inland Revenue (ATIR) against the said disallowances, which through its decision provided relief in respect of certain items and confirmed certain disallowances in favor of the tax department. The said disallowances included the charge in respect of exchange gain and loss incurred for tax year 2010 and tax year 2011, and loss on derivative for tax year 2011 raising a demand in respect of these years in aggregate of Rs. 1,075,466. EFert had challenged the said decision before the High Court of Sindh, which is pending to be heard, however, EFert is confident of a favourable outcome.

34.2.3 EFert had filed a suit in the High Court of Sindh (HCS), contesting both the retrospective and prospective application of the Alternative Corporate Tax (ACT) under section 113C. On January 27, 2018, the Supreme Court of Pakistan passed an order requiring that a minimum of 50% of tax calculated by the taxation authorities be deposited with taxation authorities to maintain / entertain a suit filed / to be filed with any Court of Pakistan. Pursuant to this, EFert made payment of Rs 615,600 in respect of ACT for tax year 2014 to maintain its stay granted by the HCS. However, in respect of tax years 2015, 2016 and 2017, since no amendments to the returns filed by EFert were received from the tax department, therefore, suits thereagainst were withdrawn by EFert. Later, on September 13, 2018, EFert received recovery notice for payment in respect of tax years 2015, 2016 and 2017 against which a constitutional petition has been filed by EFert with the HCS. Stay for recovery of ACT has been granted in respect of the constitutional petition. Any amount payable as ACT can be adjusted against tax liability of 10 future tax years immediately succeeding the tax year in which it was paid.

34.2.4 As a result of demerger in 2009, all pending tax issues of the then Holding Company, Engro Chemical Pakistan Ltd. had been transferred to EFert. Major issues pending before the tax authorities is described below:

In previous years, the taxation department had filed reference applications in High Court against the below-mentioned ATIR's decisions in EFert's favor. No hearing has been conducted to-date. The reference application includes the following matters:

- Group Relief (Financial year 2006 to 2008): Rs. 1,500,847
- Inter-Corporate Dividend (Financial year 2007 and 2008): Rs. 336,500
- G.P. Apportionment (Financial years 1995 to 2002): Rs. 653,000

The Group is confident that all the aforementioned pending issues will eventually be decided in its favor. Therefore, no provision in respect of this is being maintained in these consolidated financial statements.

34.2.5 As a result of merger of Engro Eximp (Private) Limited (EXIMP) with EFert, all pending tax issues of EXIMP have been transferred to EFert. Major pending issue pertains to exercise of option to be taxed under the Normal Tax Regime (NTR) by EXIMP for the years 2012 and 2013, resulting in an aggregate refund of Rs. 796,000. The tax department had not accepted the said treatment for tax year 2013, however, the matter was decided in favor of EFert by the Commissioner Income Tax Appeals(CIT(A)), against which the tax department has filed an appeal with the Appellate Tribunal. However, during the year, the department has given Appeal Effect order to the aforementioned favourable decision of the CIT(A) for tax year 2013. The management is confident for a favorable outcome on this case and therefore no provision is being maintained in these consolidated financial statements in this respect.

(Amounts in thousand)

34.3 Engro Polymer and Chemicals Limited (EPCL) and its subsidiary company

34.3.1 In tax year 2008, the DCIR, through the order dated November 26, 2009 raised a tax demand of Rs. 213,172. The demand arose as a result of additions on account of trading liabilities of Rs. 47,582 under section 34(5) of the Income Tax Ordinance, 2001 (the Ordinance); disallowance of provision for retirement benefits of Rs. 5,899; adding imputed interest on loans to employees and executives of Rs. 16,069 to income; disallowing finance cost of Rs. 134,414 and not considering adjustment of minimum tax paid for tax years 2004 to 2007 against the above demand.

EPCL filed an appeal against the aforesaid order before CIR - Appeals, but discharged the entire demand through adjustment against assessed refunds of Rs. 180,768 and paying the balance of Rs. 32,404 'under protest'. Through his appellate order, the CIR - Appeals maintained certain additions aggregating Rs. 189,810 including finance cost amounting to Rs. 134,414 and remanded back the issue of imputed interest on loans to employees and executives and directed the DCIR to allow credit of the minimum tax charged for the period of tax years 2004 to 2007. An appeal against the said appellate order was filed by EPCL before the ATIR. The department also filed an appeal against the said appellate order challenging the actions of the CIR - Appeals.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of trading liabilities to the extent of Rs. 20,280 and minimum turnover tax for tax years 2004 and 2007 to the extent of Rs. 19,692 and Rs. 7,300 respectively, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The Group management, based on the advice of tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and accordingly, no provision has been recognized in these consolidated financial statements.

34.3.2 In tax year 2009, the DCIR through his order dated November 30, 2010 raised a tax demand of Rs. 163,206. The demand arose as a result of disallowance of finance cost of Rs. 457,282; additions to income of trading liabilities of Rs. 21,859 under section 34(5) of the Ordinance; disallowance of provision for retirement benefits of Rs. 14,239; disallowance of provision against Special Excise Duty refundable of Rs. 36,687; addition of imputed interest on loans to employees and executives of Rs. 20,599 and not considering net loss.

The entire demand of Rs. 163,206 was adjusted against assessed tax refunds and an appeal was filed by EPCL before the CIR - Appeals. Through his appellate order, the CIR - Appeals maintained certain additions aggregating to Rs. 493,971 including disallowance of finance cost amounting to Rs. 457,282 and remanded back the issue of imputed interest on loans to employees and executives. An appeal against the said appellate order was filed before the ATIR. The department also filed an appeal against the said appellate order challenging the action of CIR - Appeals, regarding deletion of addition on account of provision for the retirement benefits.

In 2013, the ATIR issued an order whereby the aforementioned appeal was disposed off by accepting EPCL's position except for additions on account of SED provision of Rs. 36,687 and imputed interest on loans to employees and executives to the extent of Rs. 17,430, which were maintained.

EPCL filed a reference to the High Court of Sindh against the additions maintained by ATIR. Likewise, the tax department has also filed reference to the High Court of Sindh against the order passed by the ATIR in favour of EPCL. The Group management, based on the advice of tax consultant, is confident that the ultimate outcome of the aforementioned matters would be favorable and, accordingly, no provision has been recognized in these consolidated financial statements.

(Amounts in thousand)

34.4 Engro Energy Limited (EEL) and its subsidiary companies

34.4.1 Commissioner Inland Revenue (CIR) through order dated January 12, 2017 made certain additions and disallowances in respect of tax year 2014 as a result of audit of income tax affairs under section 122(5A), 214C of the Income Tax Ordinance, 2001 and raised tax demands of Rs. 268,584. EEL has contested the demands and filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] which is pending. In the meantime, EEL has also challenged the demand in the Honourable High Court of Sindh (HCS) which has refrained the tax authorities from taking any coercive action against EEL till the adjudication of appeal by the CIR(A). Accordingly, no provision has been made in this respect.

34.4.2 The Additional Commissioner Inland Revenue (ACIR), through separate show cause notices dated December 11, 2017 in respect of tax years 2015 and 2016 and notices dated December 12, 2017 in respect of tax years 2012 and 2013, rejected the inter-corporate dividend exemption claimed by EEL during these tax years. The ACIR also levied super tax on dividend income for tax years 2015 and 2016. EEL challenged these notices before the HCS which has restrained the tax authorities from taking any coercive action against EEL. Accordingly, no provision has been made in this respect.

34.4.3 Deputy Commissioner Inland Revenue (CIR) through an order dated November 2, 2018 made certain additions and disallowances in respect of tax year 2016 as a result of audit of income tax affairs of EEL under section 122 (5A) and 214C of the Income Tax Ordinance, 2001. These additions primarily relate to treating reimbursement from subsidiary as services, additions on account of apportionment of administrative expenses and taxability of FTR income as income under Normal Tax Regime which resulted in a demand of Rs. 80,888. EEL contested the demand and filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] on November 29, 2018 which is pending. In the meantime, EEL has also challenged the demand in the HCS which has refrained the tax authorities from taking any coercive action against EEL till the adjudication of appeal by the CIR(A). Based on the views of tax advisor and legal consultant, the Group management believes that EEL has a good case on merits and expects a favourable outcome. Accordingly, no provision has been made in this respect.

34.5 Associated Company - Engro Foods Limited

34.5.1 EFoods in accordance with section 59 B (Group Relief) of the Income Tax Ordinance (ITO), 2001 has surrendered to the Holding Company its tax losses amounting to Rs. 4,288,134 out of the total tax losses of Rs. 4,485,498 for the years ended December 31, 2006, 2007 and 2008 (Tax years 2007, 2008 and 2009) for cash consideration aggregating Rs. 1,500,847, being equivalent to tax benefit/effect thereof.

EFoods had been designated as part of the Group of Engro Corporation Limited by the Securities and Exchange Commission of Pakistan (SECP) through its letter dated February 26, 2010. Such designation was mandatory for availing Group tax relief under section 59B of ITO and a requirement under the Group Companies Registration Regulations, 2008 (the Regulations) notified by the SECP on December 31, 2008.

Further, the Appellate Tribunal, in respect of surrender of aforementioned tax losses by EFoods to the Holding Company for the years ended December 31, 2006 and 2007, decided the appeals in 2010 in favour of the Holding Company, whereby, allowing the surrender of tax losses by EFoods to the Holding Company. The tax department has filed reference application there against before the High Court of Sindh dated October 23, 2010, which is under the process of hearings. On May 20, 2013, the Appellate Tribunal also decided similar appeal filed by the Holding Company for the year ended December 31, 2008 in favour of the Holding Company. EFoods based on the merits of the case expects a favourable outcome of the matter.

(Amounts in thousand)

34.5.2 On October 31, 2013, CIR raised a demand of Rs. 223,369 for tax year 2009 by disallowing the provision for advances, stock written-off, repair and maintenance, sales promotion and advertisement expenses etc. On May 25, 2015, in response to the appeal filed against the audit proceedings on December 9, 2013, CIR Appeals issued an appellate order in favour of EFoods holding the selection of case for audit to be illegal and without jurisdiction. The tax department has filed an appeal against the order with the Appellate Tribunal Inland Revenue (ATIR) on August 11, 2015, however, no hearing has been conducted to date. EFoods, based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of EFoods have not been reduced by the effect of the aforementioned disallowances.

34.5.3 On May 20, 2014, the Additional Commissioner Inland Revenue (ACIR) raised a demand of Rs. 713,341 for tax year 2012 by disallowing the initial allowance and depreciation on certain additions to property, plant and equipment, provision for retirement and other service benefits, purchase expenses, sales promotion and advertisement and other expenses etc. On January 26, 2017, CIR Appeals upheld the decision of ACIR in respect of provision for retirement benefits and marketing support reimbursements against appeal filed with CIR Appeals dated May 28, 2014. On August 30, 2017, EFoods has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of EFoods have not been reduced by the effect of the aforementioned disallowances.

34.5.4 On November 3, 2017, ACIR raised a demand of Rs. 511,801 for tax year 2016 by disallowing minimum turnover tax credit, expenses on account of Employee Share Option Scheme and Worker's Welfare Fund against which EFoods filed an appeal with CIR Appeals dated November 23, 2017. During the year, on June 30, 2018, CIR Appeals upheld the decision of ACIR in respect of minimum turnover tax credit and Employee Share Option Scheme on August 15, 2018. EFoods has filed an appeal with ATIR against the order of CIR Appeals and based on the opinion of its tax consultant, is confident of a favourable outcome of the appeal, and, accordingly taxes recoverable of EFoods have not been reduced by the effect of the aforementioned disallowances.

34.6 Relationship between tax expense and accounting profit

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Group's applicable tax rate as follows:

	2018	2017
	Rupees	
Profit before taxation	36,427,052	27,421,726
Tax calculated at the rate of 29% (2017: 30%)	10,563,845	8,226,518
Depreciation on exempt assets not deductible for tax purposes	7,660	34,040
Effect of exemption from tax on certain income	(1,302,112)	(716,846)
Effect of applicability of lower tax rate, Final Tax Regime and other tax credits / debits	(474,987)	1,317,928
Prior year current and deferred tax charge	2,849,519	2,401,363
Tax effect of expenses not allowed for tax	1,287,626	966,460
Others	(136,232)	(1,097,484)
Tax charge for the year	12,795,319	11,131,979

(Amounts in thousand)

35. EARNINGS PER SHARE - BASIC AND DILUTED

Basic earnings per share has been calculated by dividing the profit attributable to equity holders of the Group by weighted average number of ordinary shares in issue during the year.

Diluted earnings per share has been calculated by adjusting the weighted average number of ordinary shares outstanding for assumed conversion of equity option on IFC loan. The effect of these options was anti-dilutive as at December 31, 2017. As at December 31, 2018 equity option on IFC loan have been fully excercised.

	2018	2017
	Rupees	
The information necessary to calculate basic and diluted earnings per share is as follows:		
Profit for the year	12,707,526	9,407,085
Add:		
- Interest on IFC loan - net of tax	-	326
- Gain on revaluation of conversion options on IFC loan - net of tax	-	(1,235)
	-	(909)
	12,707,526	9,406,176
	(Number of shares)	
Weighted average number of ordinary shares for determination of basic and diluted EPS	523,785	523,785

36. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts for remuneration, including all benefits, to the Chief Executive and Directors of the Holding Company and Executives of the Group are as follows:

	2018			2017		
	Directors		Executives (note 36.3)	Directors		Executives (note 36.3 and 36.4)
	Chief Executive	Others		Chief Executive	Others	
	Rupees					
Managerial remuneration	86,672	-	3,918,054	100,467	-	3,551,499
Retirement benefits funds	-	-	427,331	-	-	409,492
Fees	-	121,622	5,744	-	58,458	5,040
Directors emoluments	-	310,500	-	-	39,000	-
Other benefits	70	-	511,163	24	7,596	435,310
Total	86,742	432,122	4,862,292	100,491	105,054	4,401,341
Number of persons including those who worked part of the year	1	12	763	1	12	1,053

(Amounts in thousand)

36.1 The Group also makes contributions to pension and gratuity funds and provides certain household items for use of some executives.The Group also provides certain household items for use of some employees and Chief Executive. Cars are also provided for use of certain employees and directors. In addition, entertainment, security and travelling expenses are also incurred for directors.

36.2 Premium charged during the year in respect of directors indemnity insurance policy, purchased by the Group, amounts to Rs.3,784 (2017: Rs. 3,566).

36.3 The above remuneration of executives is stated before accounting for the impact of recoveries from subsidiaries in accordance with the shared service agreements.

36.4 Corresponding figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

37. RETIREMENT BENEFITS

37.1 Defined benefit plans

The Group offers a defined post-employment gratuity benefit to permanent management and non-management employees. In addition, until June 30, 2005, the Group offered a defined post-employment pension benefit to management employees in service which has been discontinued and the plan now only covers a handful of retired pensioners.

The gratuity and pension funds are governed under the Trusts Act, 1882, Trust Deed and Rules of Fund, Companies Act, 2017, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

Responsibility for governance of plan, including investment decisions and contribution schedule lie with Board of Trustees of the Fund.

The Group faces the following risks on account of defined benefit plans:

Final salary risk - The risk that the final salary at the time of cessation of service is greater than what the Group has assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility - Most assets are invested in risk free investments of 3, 5 or 10 year SSC's, RIC's, DSC's or Government Bonds. However, investments in equity instruments is subject to adverse fluctuations as a result of change in the market price.

Discount rate fluctuation - The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plans' bond holdings.

Investment risks - The risk of the investment underperforming and not being sufficient to meet the liabilities. This risk is mitigated by closely monitoring the performance of investment.

Risk of insufficiency of assets - This is managed by making regular contribution to the Fund as advised by the actuary.

In addition to above, the pension fund exposes the Group to Longevity Risk i.e. the pensioners survive longer than expected.

(Amounts in thousand)

37.1.1 Valuation results

The latest actuarial valuation of the defined benefit plans was carried out as at December 31, 2018, using the Projected Unit Credit Method. Details of the defined benefit plans are as follows:

37.1.2 Statement of financial position reconciliation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2018	2017	2018	2017
	Rupees			
Present value of defined benefit obligation	503,530	520,887	24,600	29,156
Fair value of plan assets	(364,649)	(410,766)	(38,104)	(40,713)
Deficit / (Surplus)	138,881	110,121	(13,504)	(11,557)
Payable to Defined Contribution Gratuity Fund	10,110	10,110	-	-
Payable in respect of inter group transfers	46	46	-	-
Unrecognized asset	-	-	13,504	11,557
Net liability recognized in the statement of financial position	149,037	120,277	-	-

37.1.3 Movement in net (assets) / liability recognized in the statement of financial position

Net liability at beginning of the year	120,277	55,818	-	-
Expense / (income) for the year	34,648	25,000	(970)	(930)
Net contribution by the Group	-	(3,621)	-	79
Remeasurement (gain) / loss recognized in Other Comprehensive Income	(3,550)	43,521	970	851
Unrecognized asset	(2,338)	(441)	-	-
Net liability at end of the year	149,037	120,277	-	-

(Amounts in thousand)

37.1.4 Movement in present value of defined benefit obligation

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2018	2017	2018	2017
	Rupees			
As at beginning of the year	520,887	463,804	29,156	32,132
Current service cost	24,863	21,669	-	-
Interest cost	41,911	35,608	2,384	2,413
Benefits paid during the year	(78,161)	(30,048)	(4,042)	(3,920)
Remeasurement (gain) / loss recognized in Other Comprehensive Income	(3,633)	45,331	(2,898)	(1,469)
Liability in respect of promotions	(2,337)	(441)	-	-
Liability in respect of inter-fund transfers	-	(15,036)	-	-
As at end of the year	503,530	520,887	24,600	29,156

37.1.5 Movement in fair value of plan assets

	2018	2017	2018	2017
As at beginning of the year	410,766	418,228	40,713	44,213
Expected return on plan assets	32,126	32,277	3,354	3,343
Contributions by the Group	-	3,621	-	(79)
Benefits paid during the year	(78,162)	(30,048)	(4,042)	(3,920)
Remeasurement (gain) / loss recognized in Other Comprehensive Income	(81)	1,810	(1,921)	(2,844)
Inter group asset transfers	-	(86)	-	-
Assets adjusted in respect of defined contribution transfers	-	(15,036)	-	-
As at end of the year	364,649	410,766	38,104	40,713

37.1.6 Charge for the year

	2018	2017	2018	2017
Current service cost	24,863	21,669	-	-
Net Interest cost	9,785	3,331	(970)	(930)
	34,648	25,000	(970)	(930)

37.1.7 Principal actuarial assumptions used in the actuarial valuation

	2018	2017	2018	2017
Discount rate	12.75% - 13.25%	8% - 10.75%	12.75%	8%
Expected rate of return on plan assets - per annum	12.75% - 13.25%	8% - 10.75%	-	8%
Expected rate of increase in future salaries - per annum	12.25% - 12.75%	7% - 10.75%	-	-

	2018	2017	2018	2017
37.1.8 Actual return on plan assets	34,438	25,861	2,254	2,221

(Amounts in thousand)

37.1.9 Plan assets comprise of the following

	2018		2017	
	Rupees	%	Rupees	%
	Rupees			
Defined Benefit Gratuity Plans				
Debt	306,918	84%	313,387	76%
Equity	91,827	25%	88,692	22%
Others	(34,096)	-9%	8,687	2%
	364,649	100%	410,766	100%
Defined Benefit Pension Plan				
Debt	29,264	77%	28,629	70%
Equity	6,850	18%	-	0%
Others	1,990	5%	12,084	30%
	38,104	100%	40,713	100%

37.1.10 The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

37.1.11 Historical information of staff retirement benefits

	2018	2017	2016	2015	2014
	Rupees				
Defined benefit gratuity plans Present value of defined benefit obligation	(503,530)	(520,887)	(463,804)	(988,477)	(809,146)
Fair value of plan assets	364,649	410,766	418,228	876,698	828,212
(Deficit) / Surplus	(138,881)	(110,121)	(45,576)	(111,779)	19,066
Defined benefit pension plan Present value of defined benefit obligation	(24,600)	(29,156)	(32,132)	(33,367)	(34,406)
Fair value of plan assets	38,104	40,713	44,213	40,835	38,824
Surplus	13,504	11,557	12,081	7,468	4,418

37.1.12 Expected future cost / (reversal) for the year ending December 31, 2019 is as follows:

	Rupees
Defined benefit gratuity plans	42,070
Defined benefit pension plan	(1,621)

(Amounts in thousand)

37.1.13 Remeasurement recognized in Other Comprehensive Income

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	2018	2017	2018	2017
	Rupees			
Gain / (Loss) from change in experience adjustments	4,875	(51,321)	(2,636)	161
(Loss) / Gain from change in financial assumptions	(1,244)	5,990	5,534	1,308
Remeasurement of obligation	3,631	(45,331)	2,898	1,469
Actual Return on plan assets	34,439	25,861	2,254	2,221
Expected Return on plan assets	(32,127)	(32,277)	(3,354)	(3,343)
Difference in opening fair value of plan assets	(2,391)	8,226	(821)	(1,722)
Remeasurement of plan assets	(79)	1,810	(1,921)	(2,844)
Effect of asset ceiling	-	-	(1,947)	524
	3,552	(43,521)	(970)	(851)

37.1.14 Sensitivity analysis

The impact of 1% change in following variables on defined benefit obligation is as follows:

	Defined Benefit Gratuity Plan Funded		Defined Benefit Pension Plan Funded (Curtailed)	
	Increase in Assumption	Decrease in Assumption	Increase in Assumption	Decrease in Assumption
	Rupees			
Discount rate	470,394	541,142	23,517	25,788
Long term salary increases	541,091	469,881	-	-
Long term pension increases	-	-	25,933	23,374

37.1.15 Maturity Profile

	Gratuity Plans	Pension Plan
	Rupees	
Time in years		
1	93,114	4,140
2	30,971	4,140
3	68,402	4,140
4	31,612	4,140
5-10	387,807	4,140
11-15	566,865	4,140
16-20	1,024,202	4,140
20+	2,406,656	4,140
Weighted average duration	6.58	4.40

37.2 Defined contribution plans

37.2.1 An amount of Rs. 350,547 (2017: Rs. 383,684) has been charged during the year in respect of defined contribution plans maintained by the Holding Company.

(Amounts in thousand)

38. CASH GENERATED FROM OPERATIONS

	2018	2017
	Rupees	
Profit before taxation	36,427,052	27,421,726
Adjustment for non-cash charges and other items:		
Depreciation (note 5.4)	7,556,552	7,462,165
Amortization of intangible assets (note 6.1)	69,818	51,198
Amortization of prepaid financial charges	64,617	64,659
Amortization of direct cost on FSRU (note 27.2)	86,516	86,516
Gain on disposal of property, plant and equipment - net (note 30)	(22,647)	(703,053)
Provisions, net	1,958,577	662,402
Financial charges	4,468,847	4,549,290
Income on deposits / other financial assets	(5,244,623)	(4,028,794)
Share of income from joint venture and associates (note 33)	(128,647)	(1,463,095)
Foreign currency translation	1,165,654	192,777
Reversal of provision of Workers Welfare Fund (note 30)	(650,110)	-
Working capital changes (note 38.1)	1,928,205	(411,245)
	47,679,811	33,884,546

38.1 Working capital changes

	2018	2017
(Increase) / Decrease in current assets		
- Stores, spares and loose tools	(667,358)	(711,813)
- Stock-in-trade	(3,815,782)	(2,316,952)
- Trade debts	(5,013,862)	77,625
- Loans, advances, deposits and prepayments	(1,528,506)	(544,127)
- Other receivables - net	241,382	(1,529,627)
	(10,784,126)	(5,024,894)
Increase / (Decrease) in current liabilities		
- Trade and other payables and provisions	12,712,331	4,613,649
	1,928,205	(411,245)

(Amounts in thousand)

39. CASH AND CASH EQUIVALENTS

	2018 Rupees	2017 Rupees
Cash and bank balances (notes 16 and 39.1)	10,618,049	9,557,587
Short term investments with original maturity less than 3 months (note 15)	67,662,796	39,379,846
Short-term borrowings (note 24)	(6,641,207)	(10,085,382)
	71,639,638	38,852,051

39.1 Balances of Rs. 15,000 (2017: Nil) held against bank guarantee and Rs. 1,247,762 (2017: Nil) held against letter of credit in favor of Custom Authorities have been excluded from cash and cash equivalents for the purpose of statement of cash flows.

40. FINANCIAL INSTRUMENTS BY CATEGORY

40.1 Financial assets

	2018 Rupees	2017 Rupees
- Loans and receivables at amortised cost		
Loans and advances	1,732,713	1,575,233
Trade debts	18,629,468	13,641,538
Other receivables	2,348,191	1,490,969
Cash and bank balances	11,880,811	9,557,587
Accrued income	524,809	528,242
	35,115,992	26,793,569
- At fair value through profit and loss		
Short term investments	66,542,250	60,007,819
- Held to maturity		
Short term investments	15,249,070	9,870,818

40.2 Financial liabilities

	2018 Rupees	2017 Rupees
- At amortized cost		
Borrowings	138,067,602	103,792,940
Trade and other payables	42,918,102	27,115,844
Accrued interest / mark-up	2,242,686	1,461,114
	183,228,390	132,369,898

41. FINANCIAL RISK MANAGEMENT

41.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Group's Finance and Planning departments under policies approved by the Senior Management.

a) Market risk

i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

This exists due to the Group's exposure resulting from outstanding import payments, foreign commercial transactions, foreign currency loan liabilities and related interest payments. A foreign exchange risk management policy has been developed and approved by the management. The policy allows the Group to take currency exposure for limited periods within predefined limits while open exposures are rigorously monitored. The Group ensures to the extent possible that it has options available to manage exposure, either through forward contracts, options or prepayments, etc. subject to the prevailing foreign exchange regulations.

The Holding Company has given guarantees in favor of its subsidiary companies amounting to USD 10,000 (2017: USD 117,089). The devaluation / revaluation of currency will only impact contingent liabilities and the impact on consolidated post tax profit for the year is Nil.

At December 31, 2018, if the Pakistani Rupee had weakened / strengthened by 1% against the US Dollars with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 855,850, mainly as a result of foreign exchange losses / gains on translation of US Dollar denominated liabilities.

ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from short and long-term borrowings and obligations under finance lease. These are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group analyses its interest rate exposure on a regular basis by monitoring interest rate trends to determine whether they should enter into hedging alternatives.

The Group manages its interest rate exposure through floating to fixed rate interest swaps on its foreign currency borrowings.

As at December 31, 2018, if interest rates on Group's borrowings had been 1% higher / lower with all other variables held constant, consolidated post tax profit for the year would have been lower / higher by Rs. 465,099, mainly as a result of interest exposure on variable rate borrowings.

iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market.

As at December 31, 2018, the Group is not exposed to any significant price risk.

b) Credit risk

Credit risk represents the risk of financial loss being caused if counter party fails to discharge an obligation.

(Amounts in thousand)

Credit risk arises from deposits with banks and financial institutions, trade debts, loans, advances, deposits, bank guarantees and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with a reasonably high credit rating or mutual funds which in turn are deposited in banks and government securities. The maximum exposure to credit risk is equal to the carrying amount of financial assets. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by management.

The Group's fertilizer segment is exposed to concentration of credit risk on its trade debts by virtue of all its customers being agri-based businesses in Pakistan. However, this risk is mitigated by applying individual credit limits and by securing a majority of trade debts against bank guarantees inland letter of credits and by the fact that the exposure is spread over a wide customer base.

The Group's power segment is not exposed to any credit risk on its trade debts as these are secured by sovereign guarantee from the Government of Pakistan.

The Group's polymer / chemical segment is not materially exposed to credit risk on trade debts as unsecured credit is provided to selected parties with no default in recent history and a major part is secured by bank guarantees and letters of credit from customers or written terms of agreement.

The Group monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

	2018	2017
	Rupees	
Loans and advances	1,732,713	2,275,411
Trade debts	13,536,854	9,996,092
Other receivables	1,269,722	308,599
Short term investments	81,791,320	69,878,637
Bank balances	11,878,828	9,554,857
Accrued income	524,809	528,242
	110,734,246	92,541,838

(Amounts in thousand)

The credit quality of receivables can be assessed with reference to their historical performance with no or negligible defaults in recent history. The credit quality of Group's bank balances and short term investments can be assessed with reference to external credit ratings as follows:

Bank	Rating agency	Rating	
		Short Term	Long Term
Albaraka Bank (Pakistan) Limited	PACRA	A1	A
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank AL Habib Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Islami Pakistan Limited	PACRA	A1	A+
Citi Bank Europe plc	MOODY'S	P-1	A1
CIMB Bank Berhud	MOODY'S	P-2	A3
Dubai Islamic Bank (Pakistan) Limited	JCR-VIS	A1	AA-
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Habibsons Bank Limited	JCR-VIS	A-1+	AAA
HSBC Bank Middle East	MOODY'S	P-2	A3
Industrial and Commercial Bank of China	MOODY'S	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
Mashreq Bank	MOODY'S	P-2	B aa2
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA+
National Bank of Pakistan	PACRA	A1+	AAA
Noor Bank	FITCH	-	A-
Samba Bank Limited	JCR-VIS	A-1	AA
Silk Bank Limited	JCR-VIS	A-2	A-
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	BBB-	A-3
The Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR-VIS	A-1+	AAA

c) Liquidity risk

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business, the Group maintains flexibility in funding by maintaining committed credit lines available.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring Statement of Financial Position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(Amounts in thousand)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2018			2017		
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total
	Rupees					
Financial liabilities						
Borrowings	16,957,131	123,820,762	140,777,893	22,477,647	81,315,293	103,792,940
Trade and other payables	42,918,102	-	42,918,102	27,115,844	-	27,115,844
Accrued interest / mark-up	2,242,686	-	2,242,686	1,461,114	-	1,461,114
	62,117,919	123,820,762	185,938,681	51,054,605	81,315,293	132,369,898

41.2 Capital risk management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for share holders and benefit for other stake holders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The regulatory regime in which the Group's power segment operates, renders the value of the equity to a bond given the guaranteed IRR of 15% with an indexation allowed under the Power Purchase Agreement for changes in US $ / PKR exchange rate.

The Group's strategy is to ensure compliance with the Prudential Regulations issued by the State Bank of Pakistan and is in accordance with agreements executed with financial institutions so that the total long term borrowings to equity ratio does not exceed the lender covenants. The total long term borrowings to equity ratio as at December 31, 2018 and 2017 are as follows:

	2018	2017
	Rupees	
Long term borrowings (note 19)	121,110,471	78,350,858
Equity	185,587,239	171,074,477
	306,697,710	249,425,335
Gearing ratio	39.49%	31.41%

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk.

42. FAIR VALUE ESTIMATION

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. The table below analyses financial instruments carried at fair value by valuation method. The different level have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (level 3).

	Level 1	Level 2	Level 3	Total
	Rupees			
Assets				
Short term Investments				
At fair value through profit and loss	200,000	66,342,250	-	66,542,250

Level 1 fair valued instruments comprise mutual fund units.

Level 2 fair valued instruments comprise treasury bills and fixed income placements which are valued using discounted cash flow model.

There were no transfers amongst the levels during the year.

43. SEGMENT REPORTING

43.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. The management has determined the operating segments based on the information that is presented to the Board of Directors of the Group for allocation of resources and assessment of performance. Based on internal management reporting structure and products produced and sold, the Group is organized into the following operating segments:

Type of segments	Nature of business
Fertilizer	This part of the business manufactures, purchases and markets fertilizers. The operations of this segment includes a wide range of fertilizer brands, besides urea, which primarily comprises of Engro Zarkhez, Zingro, Engro DAP and Envy etc. optimized for local cultivation needs and demand. Further, the segment is a leading importer and seller of phosphate products which are marketed extensively across Pakistan as phospatic fertilizers.
Polymer	This part of the business manufactures, markets and sells Poly Vinyl Chloride (PVC), PVC compounds, Caustic soda and related chemicals all over Pakistan and few Central Asian countries.
Food	This part of the business manufactures, processes and sells dairy products, beverages, ice-cream, frozen deserts, rice and other food products all over Pakistan and few parts of Afghanistan and Middle east. The segment markets and promotes its own brands in local and foreign markets through a network of distributors.
Power and mining	This part of the business includes power generation, distribution, transmission and sale of electricity in Pakistan and operations and management services in Pakistan and Nigeria.
Other operations	This part of the business includes operating a terminal for handling, regasification, storage, treatment and processing of LNG and related petroleum products. It also includes management of investments in associates and joint ventures by the Holding Company.

Management monitors the operating results of the abovementioned segments separately for the purpose of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in table below, is measured differently from profit or loss in the consolidated financial statements. Segment results and assets include items directly attributable to a segment.

43.2 The following information presents operating results regarding operating segments for the year ended December 31, 2018 and asset information regarding operating segments as at December 31, 2018:

	Fertilizer		Polymer		Food		Power and mining		Other operations		Elimination - net		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Rupees													
Revenue from external customers (note 26)	109,196,586	77,129,343	35,271,635	27,730,736	2,537,970	1,749,349	11,954,606	11,636,924	23,899,639	24,355,357	(11,292,198)	(14,009,198)	171,568,238	128,592,511
Segment gross profit / (loss)	35,316,447	23,218,588	8,736,015	6,065,410	584,485	(90,288)	3,090,343	2,759,050	14,611,901	16,774,889	(11,230,719)	(13,921,408)	51,108,472	34,806,241
Segment expenses - net of other income	(9,456,885)	(4,014,106)	(2,012,076)	(2,180,020)	(112,001)	(120,473)	(535,797)	(394,436)	844,825	(2,239,582)	(3,329,535)	681,555	(14,601,469)	(8,267,062)
Income on deposits / other financial assets (note 30)	493,572	108,062	345,512	49,186	57	1,504	195,515	142,153	4,586,000	4,625,396	(376,033)	(376,214)	5,244,623	4,550,087
Finance cost (note 32)	(2,070,933)	(2,647,774)	(606,148)	(819,775)	(116,247)	(56,532)	(613,295)	(655,389)	(1,875,294)	(1,334,212)	(171,304)	383,047	(5,453,221)	(5,130,635)
Share of income from joint venture and associates (note 33)	-	-	-	-	25,449	151,341	270,969	179,670	(167,771)	1,132,084	-	-	128,647	1,463,095
Income tax (charge) / credit (note 34)	(6,868,683)	(5,509,148)	(1,533,132)	(1,061,785)	(23,431)	(14,831)	(810,879)	(318,471)	(3,913,518)	(4,560,794)	354,324	333,050	(12,795,319)	(11,131,979)
Segment profit / (loss) after tax	17,413,518	11,155,622	4,930,171	2,053,016	358,312	(129,279)	1,596,856	1,712,577	14,086,143	14,397,781	(14,753,267)	(12,899,970)	23,631,733	16,289,747
Segment assets	117,721,049	111,816,249	36,023,287	24,364,326	3,379,698	2,841,104	129,761,553	80,067,690	108,912,608	103,103,596	(34,228,807)	(30,275,838)	361,569,388	291,917,127
Investment in joint venture / associates (note 7)	-	-	-	-	28,174,476	28,271,457	3,410,904	2,426,892	-	1,337,772	-	-	31,585,380	32,036,121
Total segment assets	117,721,049	111,816,249	36,023,287	24,364,326	31,554,174	31,112,561	133,172,457	82,494,582	108,912,608	104,441,368	(34,228,807)	(30,275,838)	393,154,768	323,953,248
Total segment liabilities	72,197,894	69,346,538	19,227,103	16,604,217	2,048,579	1,842,848	102,452,003	55,247,285	16,582,234	16,297,759	(4,940,284)	(6,459,876)	207,567,529	152,878,771
Capital expenditure	4,495,017	3,900,123	4,259,715	1,092,858	124,173	13,457	26,859,945	24,481,697	923,621	394,909	(82,926)	-	36,579,545	29,883,044
Depreciation (note 5.4)	5,166,276	5,066,037	958,607	931,565	66,814	66,798	815,413	772,807	549,442	594,862	-	30,096	7,556,552	7,462,165
Amortization of intangible assets (note 6.1)	28,413	25,897	15,970	12,570	492	626	11,045	10,879	17,763	5,091	(3,865)	(3,865)	69,818	51,198

(Amounts in thousand)

44. TRANSACTIONS WITH RELATED PARTIES

44.1 Following are the details of associated undertakings and other related parties with whom the Group entered into transactions or had agreements and arrangements in place during the year:

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
1	Dawood Hercules Corporation Limited	37.22	Parent Company
2	Engro Foundation	N/A	Associated Company
3	Sindh Engro Coal Mining Company Limited	N/A	Associated Company
4	Engro Foods Limited	39.90%	Associated Company
5	Reon Energy Solutions	N/A	Associated Company
6	GEL Utility Limited	N/A	Associated Company
7	Siddiqusons Energy Limited	N/A	Associated Company
8	International Finance Corporation	N/A	Associated Company
9	Arabian Sea Country Club	N/A	Associated Company
10	Mitsubishi Corporation	N/A	Associated Company
11	Dawood Lawrencepur Limited	N/A	Associated Company
12	Habib Bank Limited	N/A	Associated Company
13	Engro Vopak Terminal Limited	50%	Joint Venture
14	Dawood Industries (Private) Limited	N/A	Common Directorship
15	Inbox Business Technologies Private Limited	N/A	Common Directorship
16	Karachi School for Business & Leadership	N/A	Common Directorship
17	Meezan Bank Limited	N/A	Common Directorship
18	Overseas Investors Chamber of Commerce and Industry	N/A	Common Directorship
19	Patek (Private) Limited	6.24%	Common Directorship
20	The Dawood Foundation	N/A	Common Directorship
21	Dawood Corporation (Private) Limited	0.60%	Common Directorship
22	Tenaga Generasi Limited	N/A	Common Directorship
23	Pakistan Oxygen Ltd (formerly known as Linde Pakistan Limited)	N/A	Director
24	Abdul Samad Dawood	N/A	Director
25	Ghias Khan	N/A	Director
26	Henna Inam	N/A	Director
27	Hussain Dawood	0.69%	Director
28	Khawaja Iqbal Hassan	N/A	Director
29	Mohammad Abdul Aleem	N/A	Director
30	Raihan Merchant	N/A	Director
31	Rizwan Diwan	N/A	Director
32	Shahzada Dawood	0.43%	Director
33	Waqar Malik	N/A	Director
34	Inam Ur Rahman	N/A	Director of Group Company
35	Muhammad Imran Sayeed	N/A	Director of Group Company
36	Zafaryab Khan	N/A	Director of Group Company
37	Khusrau Nadir Gilani	N/A	Director of Group Company
38	Shahab Qadir	N/A	Director of Group Company
39	Shamsuddin Ahmad Sheikh	N/A	Ex-Director of Group Company
40	Syed Manzoor Hussain Zaidi	N/A	Director of Group Company
41	Jahangir Piracha	N/A	Director of Group Company
42	Vaqar Zakaria	N/A	Director of Group Company

(Amounts in thousand)

S.No.	Name of Related parties	Direct shareholding % of the Holding Company	Relationship
43	Feroz Rizvi	N/A	Director of Group Company
44	Imran Anwer	N/A	Director of Group Company
45	Mohammad Asif Sultan Tajik	N/A	Director of Group Company
46	Noriyuki Koga	N/A	Director of Group Company
47	Asad Said Jafar	N/A	Director of Group Company
48	Asim Murtaza Khan	N/A	Director of Group Company
49	Javed Akbar	N/A	Director of Group Company
50	Sadia Khan	N/A	Director of Group Company
51	Amir Iqbal	N/A	Director of Group Company
52	Asif Sultan Tajik	N/A	Director of Group Company
53	Imran Ahmed	N/A	Director of Group Company
54	Mohsin Ali Mangi	N/A	Director of Group Company
55	Nadir Salar Qureshi	N/A	Director of Group Company
56	Faiz Chapra	N/A	Key Management Personnel
57	Hasnain Moochhala	N/A	Key Management Personnel
58	Muhammad Ovais Aziz	N/A	Key Management Personnel
59	Atif Muhammad Ali	N/A	Key Management Personnel
60	Faisal Shafiq	N/A	Key Management Personnel
61	Farooq Nazim Shah	N/A	Key Management Personnel
62	Tarique Quadir Lakhiar	N/A	Key Management Personnel
63	Adil Mushtaq	N/A	Key Management Personnel
64	Amir Mahmud	N/A	Key Management Personnel
65	Fahim	N/A	Key Management Personnel
66	Sadaf Aslam	N/A	Key Management Personnel
67	Syed Ammar Shah	N/A	Key Management Personnel
68	Usman Mehmood Khan	N/A	Key Management Personnel
69	Abdul Qayoom Shaikh	N/A	Key Management Personnel
70	Aneeq Ahmed	N/A	Key Management Personnel
71	Jahangir Waheed	N/A	Key Management Personnel
72	Muhammad Imran Khalil	N/A	Key Management Personnel
73	Salman Hafeez	N/A	Key Management Personnel
74	Syed Abbas Raza	N/A	Key Management Personnel
75	Syed Ali Akbar	N/A	Key Management Personnel
76	Vijay Kumar	N/A	Key Management Personnel
77	Aasim Butt	N/A	Key Management Personnel
78	Atif Kaludi	N/A	Key Management Personnel
79	Fahd Khawaja	N/A	Key Management Personnel
80	Ruhail Mohammed	N/A	Former Chief Executive
81	Mohammad Azhar Malik	N/A	Key Management Personnel
82	Mudassar Yaqub Rathore	N/A	Key Management Personnel
83	Muhammad Majid Latif	N/A	Key Management Personnel
84	Syed Shahzad Nabi	N/A	Key Management Personnel
85	Engro Corporation Limited DB Gratuity Fund	N/A	Post Emplovement Benefits Fund
86	Engro Corporation Limited DC Gratuity Fund	N/A	Post Emplovement Benefits Fund
87	Engro Corporation Limited DC Pension Fund	N/A	Post Emplovement Benefits Fund
88	Engro Corporation Limited Provident Fund	N/A	Post Emplovement Benefits Fund
89	Ayesha Dawood	N/A	Spouse of director
90	Humera Aleem	N/A	Spouse of director
91	Kulsum Dawood	0.52%	Spouse of director

(Amounts in thousand)

44.2 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	2018	2017
	Rupees	
Parent Company		
Dividend paid	4,094,424	3,855,582
Reimbursements to Parent company	12,214	1,509
Associated Companies		
Purchases and services	4,328,879	3,045,761
Sale of goods and rendering of services	560,901	586,805
Dividends received	122,430	3,060,759
Donations	149,253	255,200
Payment of interest on TFCs and repayment of principal amount	1,025	8,756
Advance against share capital / Share capital issued	1,901,703	299,656
Payments against EPC contract	22,189,403	22,234,240
Long term loan received	847,065	224,638
Reimbursement to associated companies	107,099	164,029
Expenses paid on behalf of associated companies	66,278	108,499
Interest on deposit	92,141	52
Bank charges	49	49
Dividends paid / payable	1,429,225	1,341,313
Loans repaid	353,648	290,669
Finance costs	362,714	266,869
Investment in subsidiary company by associates	3,892,547	3,179,137
Joint Ventures		
Purchase of services	1,896,398	1,152,524
Reimbursements	27,853	4,641
Dividend received	1,170,000	1,215,000
Retirement funds		
Contribution to retirement benefit funds	604,533	524,157
Directors		
Dividend paid	191,103	142,963
Directors emoluments	310,500	-
Directors' fees	121,622	-
Profit on Engro Rupiya Certificates	-	38,612
Others		
Other benefits paid	477,944	82,242
Remuneration of key management personnel	912,204	875,416
Reimbursement to key management personnel	23,314	13,857

(Amounts in thousand)

44.3 Details of related parties incorporated outside Pakistan with whom the Group had transactions or arrangements in place are as follows:

	GEL Utility Limited (Associate of the Group)	Magboro Power Company Limited (Associate of the Group)
Registered Address	48. Anthony Enahoro Street, Utako, Abuja, Nigeria	17 Teslim Elias Close, Off Ahmadu Bello Way, Victoria Island, Lagos Nigeria
Country of Incorporation	Nigeria	Nigeria
Chief Executive Officer	Akinwole Omoboriowo II	Gbenga Toyosi Olawepo
Percentage shareholding	45%	3%

These entities are in operation. Further, the independent auditors of the above entities have issued an unqualified opinion on the latest available financial statements.

45. WAIVER FROM APPLICATION OF IFRIC - 4 DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

The Securities and Exchange Commission of Pakistan (SECP) in pursuance of SRO 24 (1) / 2012 dated January 16, 2012 has granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including power sector companies. However, the SECP made it mandatory to disclose the impacts on the results had IFRIC - 4 been applied.

If the Group were to apply IFRIC - 4, the agreement between EETPL and SSGCL for operating and provision of services, would have been classified as operating lease. However, the impact of such application over the assets, liabilities or the net profit of the Group for the year would have been immaterial.

46. PROVIDENT FUND

The employees of the Group participate in the Provident Fund maintained by the Holding Company. Monthly contributions are made both by the companies in the Group and the employees to the fund maintained by the Holding Company at the rate of 10% of basic salary.

The investments out of the provident funds have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the conditions specified there under.

(Amounts in thousand)

47. DONATIONS

47.1 Donations include the following in which the Directors of the Holding Company or Group companies are interested:

Director	Interest in Donee	Name of donee	2018 -----Rupees-----
Ghias Khan	Chairman	Engro Foundation	163,747
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Hussain Dawood	Chariman, Board of Governors	Karachi School of Business & Leadership	
Muneer Kamal	Director		30,000
Ghias Khan	Chairman	Engro Foundation	128,797
Ruhail Mohammed	Trustee		
Shamshuddin A. Shaikh	Trustee		
Imran Anwar	Trustee		
Jahangir Piracha	Trustee		
Ahsan Zafar Syed	Trustee	Thar Foundation	45,000
Shamsuddin A. Shaikh	Trustee		

During the year the Group made the following donations which are above Rs. 500:

Citizens Foundation	55,540
Sina Health Education & welfare Trust	15,700
The Water Foundation	8,299
National Rural Support Programme	1,000
Pakistan Agricultral Coalition	2,100
Supreme Court of Pakistan Diamer Basha Dam Fund	50,000
Engro Foundation	163,747

(Amounts in thousand)

48. PRODUCTION CAPACITY

		Designed Annual Capacity		Actual Production	
		2018	2017	2018	2017
Urea (note 48.1)	Metric Tons	2,275,000	2,275,000	1,928,080	1,806,977
NPK (note 48.1)	Metric Tons	100,000	100,000	132,790	109,059
PVC Resin (note 48.1)	Metric Tons	195,000	178,000	202,000	187,000
EDC (note 48.1)	Metric Tons	127,000	127,000	107,000	107,000
Caustic soda (note 48.1)	Metric Tons	106,000	106,000	105,000	105,000
VCM (note 48.1)	Metric Tons	204,000	204,000	195,000	180,000
Power (note 48.2)	Mega Watt Hours	1,863,724	1,869,812	1,526,309	1,737,345
Milling / Drying unit of rice processing plant (note 48.3)	Metric Tons	414,000	414,000	77,008	59,371

48.1 Production planned as per market demand and in house consumption needs.

48.2 Output produced by the plant is dependent on the load demanded by NTDC and plant availability.

48.3 Three months season design capacity and production is dependent on availability of rice paddy.

48.4 The annual capacity of EETPL as service provider to SSGCL is 4.5 MTPA and there has been no shortfall during the year.

49. NUMBER OF EMPLOYEES OF THE GROUP

	Number of employees as at		Average number of employees	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Management employees	1,583	1,453	1,556	1,424
Non-management employees	722	585	638	584
	2,305	2,038	2,194	2,008

50. SEASONALITY

The Group's fertilizer business is subject to seasonal fluctuations as a result of two different farming seasons viz, Rabi (from October to March) and Kharif (from April to September). On an average fertilizer sales are more tilted towards Rabi season. The Group manages seasonality in the business through appropriate inventory management.

The Group's agri business is subject to seasonal fluctuation as majority of paddy / unprocessed rice is procured during the last quarter of the year which is the harvesting period for all rice varieties grown in Pakistan. However, rice is sold evenly throughout the year. The Group manages seasonality in the business through appropriate inventory management.

(Amounts in thousand)

51. NON-ADJUSTING EVENT AFTER REPORTING DATE

51.1 The Board of Directors of the Holding Company in its meeting held on February 19, 2019 has proposed to issue bonus shares in the proportion of 10 shares for every 100 shares held, in addition to a final cash dividend of Rs. 2 per share for the year ended December 31, 2018 amounting to Rs. 1,047,570 for approval of the members at the Annual General Meeting to be held on April 24, 2019.

51.2 The Board of Directors of Engro Vopak Terminal Limited, a joint venture company, in its meeting held on February 14, 2019 has proposed a final cash dividend of Rs. 6 per share for the year ended December 31, 2018, amounting to Rs. 540,000, of which the proportionate share of the Holding Company amounts to Rs. 270,000.

The consolidated financial statements for the year ended December 31, 2018 do not include the effect of the aforementioned proposed dividends and bonus shares, which will be accounted for in the consolidated financial statements for the year ending December 31, 2019.

52. LISTING OF SUBSIDIARY COMPANIES, ASSOCIATED COMPANIES AND JOINT VENTURE

Name of Subsidiaries	Financial year end
Engro Fertilizers Limited (EFert)	December 31
EFERT Agritrade (Private) Limited (EAPL)	December 31
Engro Polymer and Chemicals Limited (EPCL)	December 31
Engro Polymer Trading (Private) Limited (EPTL)	December 31
Engro Energy Limited	December 31
Engro Power Services Limited (EPSL)	December 31
Engro Power International Holding B.V. (EPIH)	December 31
Engro Power Services Holding B.V. (EPSH B.V.)	December 31
Engro Power Investment International B.V. (EPII B.V.)	December 31
Kolachi Portgen (Private) Limited (KPPL)	December 31
Engro Powergen Qadirpur Limited (EPQL)	December 31
Engro Powergen Thar (Private) Limited (EPTPL)	December 31
Elengy Terminal Pakistan Limited (ETPL)	December 31
Engro Elengy Terminal (Private) Limited (EETPL)	December 31
Engro Eximp FZE (FZE)	December 31
Engro Eximp Agriproducts (Private) Limited (EEAPL)	December 31
Engro Digital Limited (EDigital)	December 31
Engro Infiniti (Private) Limited	December 31
Enfrashare (Private) Limited	December 31
Engro Energy Services Limited (EESL)	December 31
Name of Joint Venture	
Engro Vopak Terminal Limited (EVTL)	December 31
Name of Associates	
Engro Foods Limited (EFoods)	December 31
Sindh Engro Coal Mining Company Limited (SECMC)	December 31
Gel Utility Limited (GEL)	December 31
Siddiqsons Energy Limited (SEL)	June 30
Pakistan Energy Gateway Limited (PEGL)	December 31

(Amounts in thousand)

52.1 Set out below is summarised financial information for each subsidiary that has Non-Controlling Interests (NCI). The amounts disclosed for each subsidiary are before inter-company eliminations:

	EPQL	EPTPL	ETPL	EFert	EPCL
			Rupees		
Total Assets	24,173,605	108,938,678	15,414,039	117,721,049	36,023,287
Total Liabilities	12,640,830	84,858,215	8,998,126	72,197,894	19,227,103
Total Comprehensive Income / (Loss)	2,691,418	(39,324)	1,655,141	17,741,738	4,928,520
Total Comprehensive Income / (Loss) allocated to NCI	837,031	(19,623)	350,618	7,758,141	2,155,104
Accumulated NCI	3,616,846	15,738,920	2,811,680	19,660,792	7,441,497
Cash and cash equivalents	(3,695,751)	3,278,871	2,709,644	1,214,486	9,160,054
Cash (utilized in) / generated from					
- operating activities	3,376,823	259,715	4,852,629	21,174,309	9,278,111
- investing activities	(162,582)	(34,394,865)	113,135	(5,230,479)	(3,914,203)
- financing activities	(3,758,329)	33,092,456	(4,068,655)	(14,750,685)	2,872,986
Dividend paid / payable to NCI	302,250	-	-	6,423,861	551,086
Interest of NCI	31.1%	49.90%	44%	43.73%	43.81%

52.2 Effect of divestment in subsidiary:

During 2018, the Group disposed 48,641,484 shares representing 30% of its investment in ETPL for Rs. 4,335,784. The Group recognised an increase in Non-Controlling interests of Rs. 1,520,229 and an increase in equity attributable to owners of the Holding Company of Rs. 2,815,555. The effect on the equity attributable to the owners of ETPL during the year is summarised as follows:

	2018
	Rupees
Consideration received from non -controlling interests	4,335,783
Carrying amount of non-controlling interest disposed off	(1,520,229)
Equity adjustment	2,815,554

(Amounts in thousand)

53. CORRESPONDING FIGURES

Corresponding figures and balances have been rearranged and reclassified, wherever considered necessary, for the purpose of comparison and better presentation, the effects of which are not material.

54. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 19, 2019 by the Board of Directors of the Holding Company.

Abdul Samad Dawood
Vice Chairman

Hasnain Moochhala
Chief Financial Officer

Ghias Khan
President and Chief Executive

annexure

proxy form

I/We ____

of ____________________________________ being a member of ENGRO CORPORATION LIMITED

and holder of ____

(Number of Shares)

Ordinary shares as per share Register Folio No. ______________________ and/or CDC

Participant I.D. No. ______________________ and Sub Account No. ______________ ,hereby

appoint __________________________ of __________________________or failing him

____________________________________ of __________________________________

as my/our proxy to vote for me/us and on my/our behalf at the 53rd Annual General Meeting of the Company to be held on the 24th day of April, 2019 and at any adjournment thereof.

Signed this ______________day of ________ 2019.

WITNESSES:

1. Signature : ______________________
   Name : ______________________
   Address : ______________________
   ____
   CNIC or : ______________________
   Passport No. : ______________________

2. Signature : ______________________
   Name : ______________________
   Address : ______________________
   ____
   CNIC or : ______________________
   Passport No. : ______________________

____
Signature

Signature should agree with the specimen registered with the Company

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

standard request form
circulation of annual audited accounts

The Share Registrar
Engro Corporation Ltd.
FAMCO Associates (Pvt.) Ltd.
8-F, Near Hotel Faran
Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal
KARACHI.
E-mail: info.shares@famco.com.pk
Telephone No. (9221) 3438 0101-5, 3438 4621-3

Date: ________________

Dear Sirs,

Subject: Request for Hard Copy of Annual Report of Engro Corporation Limited.

As notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 470(I)/2016 dated May 21, 2016 and approved by the Shareholders in the Annual General Meeting of the Company held on April 06, 2017, the Company is circulating its annual balance sheet, and profit and loss account, auditor's report and directors report etc. ("Annual Audited Accounts") to its members through CD/DVD/USB at their registered addresses, save for those who opt for a hardcopy of the Annual Audited Accounts by filling out the details below and sending it to the Company's share registrar and Company Secretary.

I, ______________________________ S/o, D/o, W/o ______________________ being a registered shareholder of Engro Corporation Ltd. with the particulars as mentioned below would request that my name be added to the list of Shareholders of the Company who opt for delivery of a hardcopy of the Annual Audited Accounts of the Company and hereby request you send to me the Annual Audited Accounts in hard copy form at my registered address as contained in the member register instead of providing the same through CD/DVD/USB.

Particulars	
Name of Shareholder	
Folio No. / CDC ID No.	
CNIC/NICOP/ Passport No.	
Land Line Telephone No. (if any)	
Cell No. (if any)	

Yours truly,

____
Shareholder's Signature

Copy to:

Company Secretary
Engro Corporation Ltd.
8th Floor, The Harbour Front, Dolmen City
HC-3, Block 4, Clifton, Karachi-75600.
E-mail: skamil@engro.com

پراکسی فارم

میں/ہم __________ کے __________

اینگرو کارپوریشن لمیٹیڈ کے رکن اور عام شیئرز کے حامل کی حیثیت کے __________ (شیئرز کی تعداد)

رجسٹرڈ فولیو نمبر __________ اور / یا سی ڈی سی فولیو کا آئی ڈی نمبر __________ اور ذیلی اکاؤنٹ نمبر __________ کے

__________ کے __________ یا

کو کمپنی کے سالانہ عام اجلاس جو 24 اپریل 2019 کو منعقد ہوگا، میرے/ ہمارے لیے اور میری/ ہماری طرف سے بحثیت اپنا پراکسی، ووٹ دینے کے لیے نامزد کرتا / کرتے ہیں۔

دستخط __________ بروز __________ بتاریخ ______/______ 2019

گواہان:

دستخط: __________

نام: __________

پتہ: __________

____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: __________

پاسپورٹ نمبر: __________

____

دستخط شیئر ہولڈر

(دستخط کا کمپنی میں رجسٹرڈ نمونے کے ہو بہو مطابق ہونا ضروری ہے)

دستخط: __________

نام: __________

پتہ: __________

____

کمپیوٹرائزڈ قومی شناختی کارڈ نمبر: __________

پاسپورٹ نمبر: __________

نوٹ: نمائندے کو فعال بنانے کے لیے نامزدگی فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہونا چاہیے۔ نمائندے کو کمپنی کا رکن ہونا ضروری نہیں۔

سی ڈی سی شیئر ہولڈرز اور ان کے نمائندوں سے فرداً فرداً درخواست ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی تصدیق شدہ نقل یا پاسپورٹ، پراکسی فارم داخل کرنے سے قبل اس کے ساتھ منسلک کریں۔

۳۔ مالی گوشواروں کی تیاری میں مناسب اکاونٹنگ پالیسیوں کا مستقل طور پر اطلاق کیا گیا ہے سوائے ان تبدیلیوں کے جو معیارات اور ترامیم کے ابتدائی اطلاق یا موجودہ معیارات کی تاویل کے نتیجے میں وقوع پذیر ہوئیں۔
حساب کتاب کے تخمینوں کی بنیاد معقول اور محتاط فیصلے پر ہے۔

۴۔ مالیاتی گوشواروں کی تیاری میں انٹرنیشنل اکاونٹنگ اسٹینڈرڈز جو پاکستان میں قابل اطلاق ہیں، پر عمل کیا گیا ہے اور اس سے کسی بھی طرح کی روگردانی کو معقول طریقے سے منکشف کیا گیا۔

۵۔ انٹرنل کنٹرول سسٹم ڈیزائن کے اعتبار سے موزوں ہیں اور ان کا موثر انداز میں اطلاق کیا جاتا اور جائزہ لیا جاتا ہے۔

۶۔ آگے بڑھتے ہوئے ادارے کے طور پر کمپنی کے جاری رہنے کی اہلیت پر کوئی شبہ نہیں ہے۔

۷۔ کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی انحراف نہیں کیا گیا۔

نان ایگزیکٹو اور آزاد ڈائریکٹرز کے معاوضوں کی پالیسی

بورڈ آف ڈائریکٹر نے 'نان ایگزیکٹو اور آزاد ڈائریکٹرز کے معاوضوں کی پالیسی' کی منظوری دی ہے جس کے نمایاں خدوخال یہ ہیں:

معاوضہ معقول اور ڈائریکٹرز کی مہارت اور ذمہ داریوں کی سطح سے موافق ہونا چاہئے جس کا مقصد ڈائریکٹرز کی توجہ اور مشغولیت کو قائم رکھنا ہے جو کمپنی کی نگرانی کے لیے ضروری اور ویلیو ایڈیشن میں حوصلہ افزا ہیں۔ یہ معاوضہ ڈائریکٹرز کی خودمختاری پر کسی صورت بھی اثر انداز نہیں ہونا چاہیے نہ ہی اس پر سمجھوتا کیا جائے گا۔

بورڈ اگر مناسب خیال کرے گا تو اپنے ڈائریکٹرز کے معاوضوں کی معقول سطح جانچنے کے لیے آزاد مشاور کی خدمات حاصل کر سکتا ہے۔

اینگرو کی دیگر کمپنیوں میں مامور ایگزیکٹو ڈائریکٹر اور نان ایگزیکٹو ڈائریکٹرز کو بورڈ اور اس کی کمیٹیوں کی میٹنگز میں شرکت کرنے کا کوئی معاوضہ ادا نہیں کیا جائے گا۔

بورڈ اور اس کی کمیٹیوں کی میٹنگ میں شرکت کے لیے ڈائریکٹرز کی طرف سے خرچ کیے گئے کسی بھی طرح کے سفری اور دیگر ضروری اخراجات کو اصل رقم واپس ادا کر دی جائے گی۔

اندرونی مالیاتی کنٹرولز کی موزونیت

بورڈ آف ڈائریکٹرز اینگرو کے اندرونی کنٹرول کے سسٹم اور اس کی اثر پذیری کا جائزہ لیتے رہنے کا قطعی طور پر ذمہ دار ہے۔ اپنی مجموعی ذمہ داری کو قائم رکھتے ہوئے بورڈ نے اندرونی کنٹرولز کے سسٹم کے آپریشن اور تفصیلی ڈیزائن چیف ایگزیکٹو کو پیش کیے۔ اینگرو کے اندرونی کنٹرولز کا سسٹم گورننس کے واضح ڈھانچے، اختیارات کی حدود اور حساب کتاب، اچھی طرح سمجھی گئیں پالیسیوں اور بجٹ بنانے کے طریقہ کار پر مشتمل ہے۔ بورڈ ہر سہ ماہی پر اجلاس کرتا ہے جس میں اینگرو کی مالی کارکردگی، مالیاتی اور آپریٹنگ بجٹ، تجارتی ترقی اور ترقیاتی منصوبوں، سرمایے کے اخراجات کی گذارشات اور دیگر اہم کارکردگی کے اشاریوں پر غور و فکر کیا جاتا ہے۔ بورڈ آڈٹ کمیٹی اندرونی اور بیرونی آڈیٹرز کی طرف سے اندرونی مالیاتی کنٹرول کے سسٹم کی رپورٹ وصول کرتی اور اندرونی کنٹرولز کی اثر پذیری کی نگرانی کے عمل کا جائزہ لیتی ہے۔

آڈیٹرز

موجودہ آڈیٹرز اے ایف فرگیوسن اینڈ کو، اور چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کے ناطے انہوں نے خود کو دوبارہ تقرر کے لیے پیش کیا ہے۔ بورڈ آڈٹ کمیٹی نے 31 دسمبر 2019 کو ختم ہونے والے مالی سال کے لیے آڈیٹرز کی حیثیت سے ان کے دوبارہ تقرر کے لیے سفارش کی ہے۔

سماجی سرمایہ

اینگرو میں ہم ویلیو چین کے ذریعے پیدا ہونے والے اثرات کی پائیداری پر یقین رکھتے ہیں۔ اس مقصد کو حاصل کرنے کے لیے ہم نے اسٹیک ہولڈرز کے ساتھ قریبی تعلقات قائم رکھے ہوئے ہیں، ان کی ضروریات کو سمجھتے ہیں، باہمی طور پر پروگرام ڈیزائن کرتے اور شراکت داری کے ذریعے ان کے ساتھ کام کرتے ہیں۔ اس مشترکہ مفاد کی سوچ نے ہمیں معاشرتی ضروریات سے باخبر اور متاثر کن رہنے کے مواقع فراہم کیے۔

تمام اینگرو کمپنیوں کے لیے واحد کارپوریٹ سماجی ذمہ داری کی نمائندہ اینگرو فاونڈیشن ہمارے سماجی سرمایہ کاری کے پروگراموں کی نگران ہے۔ اینگرو اور اس کی ذیلی کمپنیوں کے مالی تعاون کو اینگرو فاونڈیشن کمیونٹی انویسٹ منٹ اور ویلیو چین منصوبوں میں استعمال کرتی ہے جو تعلیم اور مہارتوں کو بہتر بناتے ہوئے انسانی سرمایے کی طویل مدتی ترقی کے لیے کام کر رہے ہیں۔ ہم قدرتی ماحول کے تحفظ کو اپنی ذمہ داری سمجھتے ہیں اور یہی وجہ ہے کہ ہم جنگلات کی حفاظت، مینگروز کے تحفظ اور ساحلی ماحولیاتی نظام کو بہتر بنانے اور کمیونٹیز کے ذرائع معاش میں ماحول دوست طریقہ کار کو فروغ دینے میں مصروف عمل ہیں۔

ہر سال جاری ہونے والی ہماری مکمل رپورٹ میں sustainability پر کی گئیں ہماری کوششوں کی تفصیلات درج ہیں۔

انسانی سرمایہ

انسانی سرمایے کی نشونما ہماری اولین ترجیح ہے۔ اس مرحلے کو طے کرتے ہوئے اینگرو کارپوریشن نے موجودہ اور مستقبل کے لیڈرز کی تیاری اور تنظیمی اور ٹیلنٹ کی مینجمنٹ کو بہتر بنانے کے مقصد کے تحت ایک اینگرو ولیڈرشپ اکیڈمی قائم کی۔ یہ کثیر سالہ تبدیلی کا پروگرام سیکھنے کا ایک امتزاجی تجربہ پیش کرتا ہے اور اینگرو ولیڈرشپ اکیڈمی اینگرو کے اندر افراد میں تبدیلی لانے کے سفر کا لازمی جزو بننے کے لیے بالکل تیار ہے۔

صحت، تحفظ اور ماحول (HSE)

صحت، تحفظ اور ماحول ہمیشہ سے ہماری بنیادی اقدار رہی ہیں۔ ہم اپنے ملازمین کی صحت اور ان کے تحفظ اور پیشہ ورانہ نقصان/ زیادتی سے محفوظ رکھنے کے لیے خصوصی طور پر محتاط رہے ہیں۔ اینگرو میں ہم قیادت میں مثال بننے پر یقین رکھتے ہیں اور یہی وجہ ہے کہ ہم ایسی اسٹریٹجک سرمایہ کاری کا بیڑا اٹھاتے ہیں جو ہمارے افراد کے تحفظ کے لیے ایک ٹھوس منشا تشکیل دیتی ہے۔ HSE کی منشا ہماری روزمرہ کی سرگرمیوں اور فیصلوں میں شامل ہوتی ہے۔ ہمارے تمام کاروباری امور میں تحفظاتی خطرات کو کم سے کم کرنے کے لیے تحفظ کے معیارات اور طریقیات (processes) کو بہتر بنانے کے لیے تمام کوششیں کی جاتی ہیں۔ ہمارے حفاظتی پروگرام کے اثرات کا پھیلاؤ جاری ہے جس میں DuPont (ایک عالمی بینچ مارک) سے بھی شامل ہیں تا کہ ہمارے ملازمین، کنٹریکٹرز اور ان کے ملازمین کے مابین محفوظ رویوں کو ابھارنے والا ایک مستحکم محفوظ کلچر رائج کیا جا سکے۔ ہمارے محل وقوع میں کام کرنے والے کنٹریکٹرز کے لیے ضروری ہے کہ وہ HSE کی شرائط سے متعمل ہوں۔

ہم یقین رکھتے ہیں کہ مستقل مزاجی کے ساتھ کام کرنے اور پائیدار ترقی کی جدوجہد کرنا ہی آرگنائزیشنز کی کامیابی کی حکمت عملی ہے۔ ہم مستحکم ضابطہ عمل اپنانے اور ماحولیاتی کارکردگی میں مسلسل بہتری کے ذریعے اپنے آپریشنز کے ماحولیاتی اثرات کو کم سے کم کرنے کے لیے پُرعزم ہیں۔ کمپنی کی ویب سائٹ پر موجود ہماری مکمل رپورٹ میں HSE کی کارکردگی اور ترقی کی تفصیلی رپورٹ دستیاب ہے۔

شیئر ہولڈنگ کا پیٹرن

داؤد ہرکولیس کارپوریشن لمیٹڈ سمیت دی داؤد گروپ اینگرو کارپوریشن کے اہم شیئر ہولڈرز ہیں۔ دیگر شیئر ہولڈرز میں مقامی اور غیر ملکی ادارے اور عام عوام شامل ہیں۔

شیئر ہولڈنگ کے عام پیٹرن کے ساتھ ساتھ رپورٹنگ فریم ورک کے تحت شیئر ہولڈرز کی بعض جماعتوں، جن کا اعلان ضروری تھا، کے شیئر ہولڈنگ کے پیٹرن اور 2018 کے دوران ڈائریکٹرز، ایگزیکٹوز اور ان کے ازواج سمیت چھوٹی اولادوں کی طرف سے شیئر کی خرید و فروخت کے گوشوارے کی تفصیلات اس رپورٹ کے شیئر ہولڈنگ سیکشن میں پیش کی گئی ہیں۔

بعد میں وقوع پذیر ہونے والے واقعات کے باعث اشیا میں تبدیلی

کمپنی کے مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حالت پر اشیا کی تبدیلی یا commitment کسی طور اثر انداز نہیں ہوئے۔

اظہار تشکر

ڈائریکٹرز اپنے شیئر ہولڈرز سے گہرے تشکر کا اظہار کرتے ہیں جنہوں نے ہمیشہ کمپنی پر اپنا اعتماد ظاہر کیا۔ ہم اینگرو فیملی کے ہر رکن کے عزائم لگن اور جدید خیالات پیش کرنے پر مشکور و ممنون ہیں اور پُراعتماد ہیں کہ مستقبل میں بھی یہ لوگ ایسی کوشش جاری رکھیں گے۔

حسین داؤد
چیئرمین

غیاث خان
صدر اور چیف ایگزیکٹو

فوڈز

اینگروفوڈزریگولیٹری حکام متعلقہ کاروباری پلیٹ فارمز کے ساتھ کام کرنے کا سلسلہ جاری رکھے گا تا کہ وفاقی اورصوبائی فوڈ قوانین میں ہم آہنگی پیدا ہو سکے۔ یہ کمپنی مختار اداروں کی ایسی قانون سازی کرے گی جو مصنوعات کی صفائی کے مراحل اور ٹیکس قوانین کو مناسب بنانے میں مددگار ہوتا کہ ڈیری کی صنعت کے لیے سازگار ماحول پیدا ہو۔ اپنے پارٹنر Fries land Campina's کی مہارت سے فائدہ اٹھا کر کاروبار جدت کی جانب اپنا سفر جاری رکھے گا تا کہ محفوظ، ویلیوایڈڈ، بااعتماد، صحت بخش اور سستی ڈیری مصنوعات فراہم کی جاسکیں۔ کاروباری کی افزائش کے لیے کھلے دودھ سے منتقلی کو ہی کامیابی کی کنجی بنا کر رکھا جائے گا اور اس کے لیے صارفین کی دودھ سے منسلک ضروریات کے حوالے سے کمپنی برانڈ ایکویٹی کو صارفین کی پہلی ترجیح بنے رکھنے کے لیے سرمایہ کاری کرتی رہے گی۔

چاول کا کاروبار اپنی آپریشنل افادیت اور مارجن، لاگت میں کمی اور برآمدات میں اضافے کو بہتر بنانے پر اپنی توجہ جاری رکھے گا تا کہ شیئر ہولڈر ویلیو کو بڑھایا جا سکے۔

ڈیجیٹل

اینگرو کارپوریشن عالمی کھلاڑیوں کے ساتھ شراکت داری کی بدولت نئے مواقع تلاش کرنے کا سلسلہ جاری رکھے گا۔ اینگرو کے ڈیجیٹل بینر کے زیرسایہ ہم پاکستان کے اندر اور باہر ہم دستیاب ڈیجیٹل اور ٹیکنالوجی سروسز اور مصنوعات کے لیے ممکنہ مواقعوں کی جانچ کررہے ہیں۔ اینگرو ڈیجیٹل اور GE نے ایک مضبوط اشتراک تشکیل دیا ہے جس میں اینگرو کی مختلف صنعتوں کے حوالے سے گہری اور وسیع معلومات اور GE کی عالمی معیار کی ایپلی کیشنز کے پلیٹ فارم کا اشتراک کیا گیا ہے۔ مزید یہ کہ Buckman Laboratories International Inc نے اینگرو ڈیجیٹل کے ساتھ اسٹریٹیجک اتحاد کرلیا ہے تا کہ یوٹیلٹیز اور انڈسٹریز کو process اور reliability optimization فراہم کی جاسکے۔

رسک مینجمنٹ

اینگرو کارپوریشن اور اس کے ذیلی ادارے خطروں کی جانچ اور اس کے حل کے لیے lean انٹرپرائز رسک مینجمنٹ فریم ورک استعمال کررہے ہیں۔ ہمارے کارپوریٹ مقاصد اور اہداف کے حصول پر اثر انداز ہونے والے خطرات اور بے یقینی کیفیت سے بچ کر شیئر ہولڈر ویلیو پیدا ہونے، اس کے تحفظ اور اضافے کے لیے رسک مینجمنٹ کو اہم تصور کرنا ہماری پالیسی ہے۔ ہر ذیلی ادارہ کسی چیز کو درپیش خطرات کے امکانات اور اس کے اثرات کا جائزہ لیتی ہے اور آرگنائزیشن بھر میں اس خطرے سے نمٹنے کے لیے ذمے داریاں سونپ دیتا ہے۔ اس کا مقصد ایک شے شدہ اور رسمی طریقے سے خطرے سے نمٹتے ہوئے اسے کم کرنا ہے۔ اس فریم ورک کے تحت تمام ذیلی اداروں کے لیے ضروری ہے کہ وہ متواتر جائزے اور خطرے اور اس میں تخفیف کی رپورٹنگ کے ساتھ پالیسی سازی اور اسٹینڈ آپریشنل پراسیجر وضع کرے۔ ہر ذیلی ادارے کا بورڈ درج بالا فریم ورک کے نتیجے میں اہم خطرات اور اس میں کمی کا جائزہ لیتا ہے۔

لیکویڈیٹی رسک
ٹریژری پالیسی کا مقصد پورٹ فولیو کی ممکنہ ترقی کے لیے درکار معاہدوں کے لیے فنڈز کی دستیابی یقینی بنانا ہے۔ ہم نقد کی اندرونی پیداوار اور مالیاتی اداروں کی سہولیات کے ذریعے لیکویڈٹی رسک کی تخفیف کرتے ہیں۔

شرح سود کا خطرہ
ہمارے قرض اور سرمایہ کاری کے اضافے فنڈز نے ہم پر شرح سود کا خطرہ عیاں کردیا تھا۔ کسی بھی قسم کے منفی اتار چڑھاؤ کی مسلسل نگرانی اور قلیل مدتی منصوبوں میں اضافی فنڈز کی سرمایہ کاری سے اس خطرے کو کم کیا جاسکتا ہے۔

کریڈٹ رسک
اعلیٰ کریڈٹ ریٹنگ کے حامل مضبوط مالیاتی اداروں کے محتاط طریقے سے انتخاب سے ہمیں یہ خطرہ کم کرنے میں مدد ملی۔

غیرملکی زرمبادلہ کا خطرہ
ہمارے سرمایہ کاری کے پورٹ فولیو نے ہم پر غیرملکی زرمبادلہ کا خطرہ عیاں کردیا تھا۔ مجموعی طور پر پورٹ فولیو کا جائزہ لے کر ہم اس بات کو یقینی بنائیں گے کہ جہاں تک ممکن ہو مناسب قدرتی حدود کو برقرار رکھا جائے۔

معاشی اور ریگولیٹری رسک
مستقل اور متحرک کوششوں اور پالیسی سازوں سے مذاکرات سے ہمارے کاروبار کو معاشی حالات اور ریگولیٹری چیلنجز سے پیدا ہونے والے خطرات سے نمٹنے میں مدد ملی۔

بورڈ آف ڈائریکٹرز

بورڈ آف ڈائریکٹرز کمپنی کے تمام اہم امور پر نظرثانی کرتے ہیں۔ اس میں کمپنی کی اسٹریٹجک سمت، سالانہ کاروباری منصوبے اور اہداف، طویل مدتی سرمایہ کاری اور قرضہ جات کے فیصلے شامل ہیں۔ بورڈ آف ڈائریکٹرز کارپوریٹ گورننس کا اعلیٰ معیار قائم رکھنے کے لیے پُرعزم ہے۔

بورڈ آف ڈائریکٹرز 24 اپریل 2018 میں منتخب ہوا۔ یہ بورڈ 10 ڈائریکٹرز پر مبنی ہے جو چیف ایگزیکٹو سمیت علم، جنس اور مہارتوں کے متنوع مجموعے پر مشتمل ہے جو اس کی مؤثریت کو مزید بڑھاتا ہے۔ اس بورڈ میں ایک خاتون ڈائریکٹر سمیت 9 مرد ڈائریکٹرز شامل ہیں جسے درج ذیل انداز میں تقسیم کیا گیا ہے:

ایک ایگزیکٹو ڈائریکٹر

6 آزاد ڈائریکٹرز

3 نان ایگزیکٹو ڈائریکٹرز

ذیل میں ان افراد کے نام ہیں جو سال 2018 کے دوران کسی بھی وقت کمپنی کے ڈائریکٹرز رہے ہیں:

۱۔ جناب حسین داؤد

۲۔ جناب غیاث خان

۳۔ جناب عبدالصمد داؤد

۴۔ جناب شہزادہ داؤد

۵۔ جناب محمد عبدالعلیم

۶۔ جناب وقار ملک

۷۔ محترمہ حنا انعام

۸۔ جناب منیر کمال*

۹۔ جناب انعام الرحمان*

۱۰۔ جناب عمران سعید*

۱۱۔ جناب رضوان دیوان**

۱۲۔ جناب رائحان مرچنٹ**

۱۳۔ جناب خواجہ اقبال حسن**

*24 اپریل 2018 کو اپنی میعاد پوری کرنے پر ریٹائر ہوئے

**ڈائریکٹر کی حیثیت سے منتخب ہوئے جس کا اطلاق 24 اپریل 2018 سے ہوا۔

بورڈ کی سرگرمیوں کے مکمل ادوار کا احاطہ کرنے کے لیے 2018 میں بورڈ کے 8 اجلاس منعقد ہوئے۔ بورڈ نے تین کمیٹیاں تشکیل دیں تا کہ بورڈ کو اپنی امانتی ذمہ داریاں ادا کرنے میں مدد مل سکے۔ ممبرشپ تفصیلات کے ساتھ ان کمیٹیوں کی معلومات درج ذیل ہیں:

بورڈ انویسمنٹ کمیٹی	بورڈ آڈٹ کمیٹی	بورڈ پیپل کمیٹی
2018 میں 9 اجلاس منعقد ہوئے	2018 میں 6 اجلاس منعقد ہوئے	2018 میں 10 اجلاس ہوئے
جناب عبدالصمد داؤد	جناب محمد عبدالعلیم	محترمہ حنا انعام
جناب وقار ملک	جناب وقار ملک	جناب عبدالصمد داؤد
جناب رضوان دیوان	جناب رضوان دیوان	جناب رائحان مرچنٹ
جناب خواجہ اقبال حسن	جناب رائحان مرچنٹ	جناب خواجہ اقبال حسن

ڈائریکٹرز کی ذمہ داریوں کا بیان

ڈائریکٹرز SECP ضابطہ برائے گورننس کے کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک کے ساتھ تعمیل کی تصدیق کرتی ہے جو مندرجہ ذیل ہیں:

۱۔ کمپنی کی انتظامیہ کی جانب سے تیار کیے جانے والے مالیاتی گوشوارے، اس کے معاملات کی حالت، اس کے آپریشنز کے نتائج، کیش فلوز اور ایکوئٹی میں تبدیلیوں کو درست طور پر پیش کرتے ہیں۔

۲۔ کمپنی کے اکاونٹس کے کھاتوں کی کتابیں (books of accounts) باقاعدہ طور پر قائم رکھی گئی ہیں۔

کریڈٹ ریٹنگ اور گیئرنگ

2018 کے دوران پاکستان کریڈٹ ریٹنگ ایجنسی نے سالانہ جائزے میں کمپنی اور اس کے ذیلی اداروں کی طویل المدتی کریڈٹ ریٹنگ اپ گریڈ کرنے کے ساتھ ساتھ اب تک سب سے بہترین قلیل المدتی ریٹنگ برقرار رکھی۔

کمپنی	طویل المدتی ریٹنگ	قلیل المدتی ریٹنگ
اینگرو کارپوریشن لمیٹڈ	+AA	+A1
اینگرو فرٹیلائزر لمیٹڈ	AA	+A1
اینگرو پالیمر زاینڈ کیمیکلز لمیٹڈ	-AA	+A1
اینگرو پاور جین تھر (پرائیویٹ) لمیٹڈ	A	A1
اینگرو ایلنجی ٹرمینل (پرائیویٹ) لمیٹڈ	+A	A1
اینگرو ایگزمپ ایگری پراڈکٹس (پرائیویٹ لمیٹڈ	-A	A2

یہ کریڈٹ ریٹنگ کمپنی کی مالیاتی اور مینجمنٹ قوت اور سازگار کریڈٹ اسٹینڈنگ کی عکاسی کرتی ہے اور ہماری مضبوط بیلنس شیٹ اور مضبوط کارکردگی کے ساتھ ساتھ مستقل ڈیویڈنڈ پے آؤٹس کی گواہی دیتا ہے۔

سال کے اختتام پر مجموعی طویل المدتی قرض بڑھ کر 131426 ملین روپے تک پہنچ گیا جو 2017 میں 90743 ملین روپے تھا اور قرض میں اضافی کی بنیادی وجہ تھر کول پاور پراجیکٹ میں کمی ہے۔ سال 2017 کے 31.4 فیصد کے مقابلے میں 2018 میں 39.5 gearing فیصد رہی جو ایک صحت مند بیلنس شیٹ کو ظاہر کرتا ہے اور کمپنی کو مستقبل میں آنے والے افزائشی مواقعوں کے لیے leverage بڑھانے کی اجازت دیتا ہے۔

شیئر ہولڈرز کو تقسیم

بورڈ سہ ماہی بنیادوں پر زیادہ سے زیادہ منافع کے حصول کا خواہاں ہے 31 دسمبر 2018 کو ختم ہونے والے سال کے لیے 2 روپے فی شیئر کا فائنل کیش ڈیویڈنڈ کا اعلان کرنے پر انتہائی خوشی محسوس کر رہا ہے۔ اس لیے سال کے لیے کُل ڈیویڈنڈ 21 روپے فی شیئر رہا جس میں سال بھر کے دوران 19 روپے فی شیئر کا کُل interim cash dividend بھی شامل ہے۔ اس کے ساتھ ساتھ کمپنی کی مثبت مالی کارکردگی کی بدولت بورڈ 10 فیصد بونس شیئر تجویز کرنے پر انتہائی خوشی محسوس کر رہا ہے۔

اسٹریٹیجک سمت

ابھرتی ہوئی معیشت کے ساتھ بڑھتی ہوئی آبادی اور سست انسانی ترقی کے اشاروں کے سبب پاکستان کو متعدد عالمی چیلنجز کا سامنا ہے۔ یہ جاننے کے لیے کہ ان چیلنجز کا سامنا کرنے کے کے لیے اینگرو اپنے وسائل کو کس طرح بہتر طریقے سے استعمال کر سکتا ہے، ملک کے چند اہم کا مسائل کی نشاندہی کی ہے کو کچھ اس طرح ہیں۔

زرعی پیداوار

ٹیلی کام اور کنیکٹیوٹی

توانائی اور اس سے متعلقہ انفرااسٹرکچر

پیٹروکیمیکلز

ہمارا ماننا ہے کہ یہ وہ اہم مسائل ہیں جن پر اینگرو ممکنہ طور پر کام کر کے معنی خیز اثرات مرتب کرنے کا سلسلہ جاری رکھے گا۔ مستقبل میں سرمایہ کاری کے لیے مواقع تلاش کیے جاتے رہیں گے۔

مستقبل کے کاروبار کی کارکردگی

ہمیں امید ہے کہ حکومت کی جانب سے معاشی اصلاحات کے بھرپور عزائم کے مثبت اثرات مرتب ہوں گے اور مجموعی معاشی نتائج میں بہتری آئے گی۔ یہاں یہ بات قابل ذکر ہے کہ اگر مقامی کمپنیوں اور اسٹیک ہولڈرز کو سازگار ماحول فراہم کیا جائے تو وہ درآمدات کے ذریعے کرنٹ اکاؤنٹ کو درپیش چیلنجز کے حل میں مدد کر سکتے ہیں اور اس سے بالآخر برآمدات کی بنیاد کے قیام کی راہ ہموار ہوگی۔

اینگرو کی نظریں اپنے ترقی کے ستون تیار کرنے اور ترقی کی نئی راہیں کھولنے کے لیے طویل المدتی شیئر ہولڈر ویلیو کے قیام پر مرکوز ہیں۔ ترقی کی اسی حکمت عملی کو سمجھتے ہوئے کمپنی نے انسانی وسائل، تکنیکی اور مالیاتی شعبے میں سرمایہ کاری کی ہے۔

فرٹیلائزر

2019 میں یوریا کی عالمی مانگ میں 1.7 فیصد کا معمولی اضافہ متوقع ہے جبکہ عالمی مارکیٹ میں نئی جہتوں اور وسعتوں کی بدولت سپلائی کے رجحان میں اضافہ متوقع ہے۔ شمالی امریکا اور بھارت کی جانب سے درآمدات پر انحصار میں کمی کے سبب عالمی سطح پر یوریا کی قیمتیں موجودہ سطح پر برقرار رہنے کا امکان ہے۔ اس سے مقامی سپلائرز پر اپنی مصنوعات کے لیے نئی مارکیٹ تلاش کرنے کا دباؤ بڑھے گا۔ مقامی سطح پر یوریا کی مانگ موجودہ سطح پر 2019 میں مستحکم رہنے کا امکان ہے۔ 2019 کے لیے پیداوار 5.6 ملین ٹن رہنے کا امکان ہے (ایل این جی فیڈ پلانٹ کے علاوہ)۔ ڈیمانڈ اور سپلائی کے درمیان خلیج درآمدات یا ایل این جی پر چلنے والے پلانٹس کے آپریشن کے ذریعے پُر کیا جا سکتا ہے۔

2019 میں بھی عالمی سطح پر DAP کی قیمتیں نسبتاً اس طرح پر برقرار رہنے کا امکان ہے البتہ روپے کی قدر میں کمی کے سبب DAP کی بڑھتی قیمتوں کی وجہ سے مقامی سطح پر اس میں معمولی کمی کا امکان ہے۔

پالیمر اور کیمیکلز

پالیمر کا کاروبار اسے مہیا امید افزا مواقعوں سے فائدہ اٹھانے کے لیے مناسب حالات میں ہے، توسیع کے بعد کاروبار نا صرف PVC کی مقامی سطح پر بڑھتی ہوئی مانگ کو پُر کرنے میں کامیاب رہے گا بلکہ برآمدات سے غیر ملکی زرمبادلہ بھی حاصل ہوگا۔ ان جاری منصوبوں کے ساتھ ساتھ کاروبار مضبوط آپریشنل کارکردگی جاری رکھنے کے لیے بھی پر اعتماد ہے اور حکومت کی جانب سے ہاؤسنگ انفرااسٹرکچر میں بہتری کے ارادے اور ملک کے مجموعی معاشی خدوخال کو دیکھتے ہوئے ہمیں امید ہے کہ فی کس PVC کی کھپت بلندی کی جانب سفر برقرار رکھے گی۔ اس کے ساتھ ساتھ الائیڈ کیمیکلز میں مواقعوں کی تلاش کے لیے متعدد منصوبوں اور تحقیق شروع کی گئی ہیں۔

توانائی

حالانکہ قادر پور گیس فیلڈ سے گیس کی سپلائی کم ہونا شروع ہوگئی ہے، قادر پور پاور پلانٹ کو gas depletion assets agreement سے استثنیٰ حاصل ہے جو اسے مختلف ایندھن آپس میں ملانے کی اجازت دیتا ہے، چاہے اس سے اخراجات ہی کیوں نہ بڑھ جائیں۔

توانائی کے نئے منصوبوں اور بڑھتی کو تیل کی قیمتوں کے سبب گردشی قرضوں حکومت کے لیے ایک چیلنج بنے رہنے کا امکان ہے اور اگر موجودہ مسائل کو حل کرنے کے لیے ٹھوس پالیسی اقدامات نہ کیے گئے تو مستقبل میں توانائی کے شعبے کو بھی چیلنجز کا سامنا ہوگا۔

توانائی کا کاروبار نئے عالمی کھلاڑیوں کے ساتھ شراکت داری کی مدد سے نئے مواقع تلاش کرنے کا خواہاں ہے تاکہ اینگرو کے انوکھے انجینئرنگ اور پراجیکٹ مینجمنٹ مہارت کو استعمال کیا جا سکے۔ حکومت کے ساتھ شراکت داری کی بدولت تھر مائننگ اور پاور پراجیکٹ کا 2019 کے درمیانی حصے تک مکمل ہونے کا امکان ہے جس سے ملک کے توانائی کے بحران کے حل میں مدد ملے گی۔ مزید یہ کہ renewable (قابل تجدید ذرائع) مارکیٹ میں اپنے قدم جمانے کے لیے کاروبار مسلسل انتھک محنت کر رہا ہے اور اسے بلوچستان میں 500 میگا واٹ ونڈ پاور پراجیکٹ کے ترقیاتی حقوق مل گئے ہیں۔

ٹرمینل سروس

ایل این جی ٹرمینل ملک کو درپیش توانائی کے بحران میں کمی کے لیے اپنا مثبت کردار ادا کر رہا ہے۔ مارکیٹ میں توانائی کی مانگ کو مدنظر رکھتے ہوئے 2019 میں اس میں بہتر اور مستحکم منظرنامے کی امید ہے اور اپنے شراکت دار ووپاک کی مہارت سے فائدہ اٹھاتے ہوئے ایل این جی ٹرمینل اپنی شیئر ہولڈر ویلیو میں اضافے کے لیے نئی راہوں کی تلاش جاری رکھے گا۔

مجموعی طور پر کیمیائی صنعت مستحکم ہے اور اینگرو ووپاک نے لیڈر کی حیثیت سے اپنا مقام برقرار رکھا ہے۔ اینگرو ووپاک ٹرمینل بزنس اچھی کارکردگی کی توقع ہے اور انوکھی اور صف اول پوزیشن کی بدولت یہ آپریشنز اور منافع مستحکم طریقے سے برقرار رکھے گا۔ کاروبار ایل این جی اور دیگر کیمیائی مصنوعات میں نئے مواقع تلاش کرنے کا سلسلہ جاری رکھے گا۔

ریونیو

(ملین روپے)

2,538

2018

اینگرو ایگزمپ ایگری پراڈکٹس

چاول کے کاروبار پر زیادہ توجہ کے ساتھ ساتھ کاروباری ڈھانچے کے ازسرِ نو تعین، فکس کاسٹ ریشنلائزیشن، آپریشنل افادیت میں بہتری، اشیا کی قیمتوں میں رسک کو کم کرنے کے نتیجے میں نقصانات میں کمی ہوئی اور کاروبار نے تاریخ میں پہلی مرتبہ آپریشنل بعد از ٹیکس منافع درج کرایا۔ 2017 کے مقابلے میں چاول کی برآمدات کے حجم میں 52 فیصد اضافہ دیکھا گیا۔

ریونیو

(ملین روپے)

32,439
2018

اینگرو فوڈز

ڈیری کے کاروباری میں گزشتہ سال کے مقابلے میں منافع میں کمی ہوئی جس کی وجہ پوری ڈیری صنعت کو درپیش وفاقی اور صوبائی فوڈ قوانین کے درمیان بے ربطگی کے سبب پیدا ہونے والے مسلسل انضباطی چیلنجز ہیں۔ ان مسائل نے صارفین کے ذہن میں منفی سوچ کو جنم دیا جس کے نتیجے میں گزشتہ سال کی نسبت اس سال دودھ کی صنعت کے حجم میں کمی دیکھی گئی۔ اشیا کی بڑھتی قیمتوں کے ساتھ ساتھ روپے کی قدر میں کمی اور شرح سود میں اضافے جیسے عوامل نے بھی مجموعی طور پر صنعت کے منافع پر دباؤ ڈالا۔

ریونیو

(ملین روپے)

12,601

2018

ریونیو

(ملین روپے)

3,277

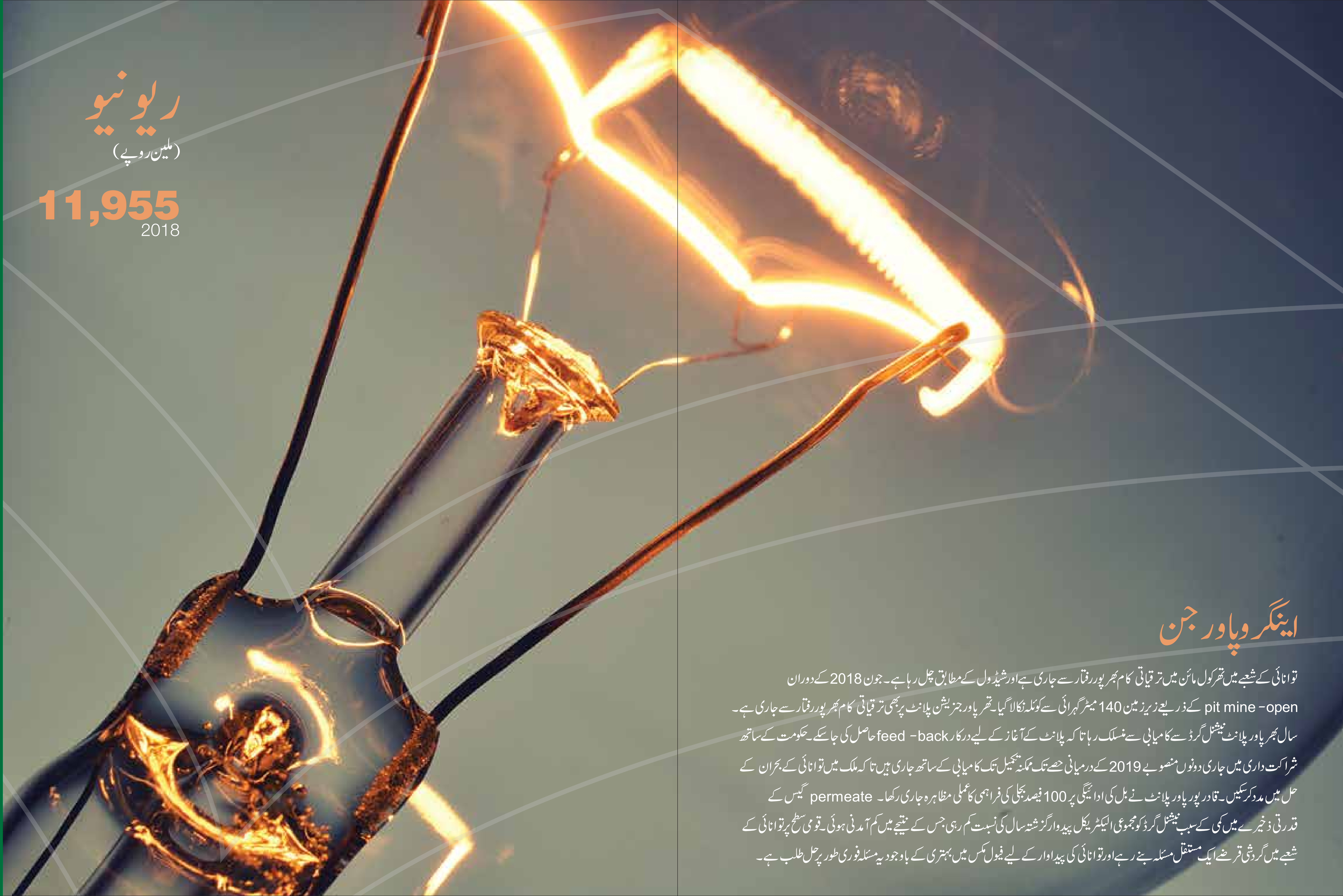
2018

اینگرو ایلنجی ٹرمینل

ایلنجی ٹرمینل نے رواں سال 74 کارگو سنبھالے جہاں 2017 میں اس کے مقابلے میں 70 کارگو سنبھالے تھے۔ اس نے سوئی سدرن گیس کمپنی کے نیٹ ورک کو 223.8 بی سی ایف re-gasified ایل این جی فراہم کی۔ سال کے دوران دستیابی کا عنصر 97.3 فیصد رہا۔

اینگرو ووپاک ٹرمینل

اینگرو ووپاک ٹرمینل کی بات کی جائے تو کیمیکلز اور ایل پی جی میں گزشتہ سال کے دوران حجم میں 11 فیصد کی کمی دیکھی گئی جس کی وجہ مقامی سطح پر پیدا ہونے والی ایل پی جی اور سڑک کے نیٹ ورک کے ذریعے کی گئی درآمدات کے سبب ایل پی جی کی درآمدات میں کمی تھی۔ کاروبار نے کام کے دوران کسی انجری کے بغیر محفوظ آپریشنز کے 21 سال مکمل کیے اور صحت، حفاظت اور کوالٹی کے معیارات کو برقرار رکھا۔



ریونیو

(ملین روپے)

11,955

2018

اینگرو پاور جن

توانائی کے شعبے میں تھر کول مائن میں ترقیاتی کام بھرپور رفتار سے جاری ہے اور شیڈول کے مطابق چل رہا ہے۔ جون 2018 کے دوران open-pit mine کے ذریعے زیرِ زمین 140 میٹر گہرائی سے کوئلہ نکالا گیا۔ تھر پاور جنریشن پلانٹ پر بھی ترقیاتی کام بھرپور رفتار سے جاری ہے۔ سال بھر پاور پلانٹ نیشنل گرڈ سے کامیابی سے منسلک رہا تا کہ پلانٹ کے آغاز کے لیے درکار back-feed حاصل کی جا سکے۔ حکومت کے ساتھ شراکت داری میں جاری دونوں منصوبے 2019 کے درمیانی حصے تک ممکنہ تکمیل تک کامیابی کے ساتھ جاری ہیں تا کہ ملک میں توانائی کے بحران کے حل میں مدد کر سکیں۔ قادر پور پاور پلانٹ نے بل کی ادائیگی پر 100 فیصد بجلی کی فراہمی کا عملی مظاہرہ جاری رکھا۔ permeate گیس کے قدرتی ذخیرے میں کمی کے سبب نیشنل گرڈ کو مجموعی الیکٹریکل پیداوار گزشتہ سال کی نسبت کم رہی جس کے نتیجے میں کم آمدنی ہوئی۔ قومی سطح پر توانائی کے شعبے میں گردشی قرضے ایک مستقل مسئلہ بنے رہے اور توانائی کی پیداوار کے لیے فیول مکس میں بہتری کے باوجود یہ مسئلہ فوری طور پر حل طلب ہے۔

ریونیو

(ملین روپے)

35,272

2018

پالیمر

پالیمر کے کاروبار کے لیے 2018 معاشی مضبوطی کا سال ثابت ہوا۔ PVC اور VCM کے کاروبار میں وسعت ہوئی جبکہ مستحکم پلانٹ آپریشنز برقرار رکھتے ہوئے مضبوط آپریشنل کارکردگی حاصل کی گئی، مارکیٹ شیئر برقرار رہا اور مضبوط بیلنس شیٹ تیار کرتے ہوئے توسیع کے منصوبوں کے لیے ابتدائی زمینی کام مکمل کرلیا گیا ہے جس سے اس کاروبار کو مواقعوں سے فائدہ اٹھانے کا موقع ملا۔ کاروبار میں PVC کی پیداوار ریکارڈ حد تک ہوئی جہاں آمدنی میں 27 فیصد کا اضافہ دیکھا گیا اور 4930 ملین روپے کا بعد از ٹیکس منافع دیکھا گیا۔

ریونیو

(ملین روپے)

109,197

2018

فرٹیلائزر

فرٹیلائزر/کھاد: گزشتہ سال کے دوران بنیادی طور پر کاروبار کی آمدن اور منافع میں اضافہ دیکھا گیا جس کی وجہ کھاد کی قیمتوں اور مانگ میں اضافے کے ساتھ ساتھ one - off ٹیکس کے اثرات ہیں جس سے کارپوریٹ ٹیکس کی شرح میں مرحلہ وار 30 سے 25 فیصد کمی ہوئی۔ کھاد کی صنعت کو پہلے ملنے والی حکومتی امداد اور طویل پیداواری وقت کی شکل میں بدستور مشکلات کا سامنا ہے۔ کاروبار نے پاکستان کے زرعی شعبے میں مواقع تلاش کرنے کا سلسلہ جاری رکھا تاکہ زراعتی شعبے میں اپنی مضبوط پوزیشن سے فائدہ اٹھاتے ہوئے اپنے اسٹیک ہولڈرز کے لیے قدر قائم کی جا سکے۔ فصل کی سائنس (crop sciences) کے کاروبار (بیج اور کیڑے مارنے کی دوا) نے بھی توسیع جاری رکھی اور کسانوں کی پیداواری صلاحیت میں اضافے کے لیے کاروبار کے دیگر مواقعوں کا بھی جائزہ لیا جا رہا ہے۔

ڈائریکٹرز رپورٹ

اینگرو کارپوریشن لمیٹیڈ کے بورڈ آف ڈائریکٹرز نے کمپنی کی کارکردگی کا جائزہ لیا اور وہ 31 دسمبر 2018 کو ختم ہونے والے سال کی سالانہ رپورٹ اور آڈٹ شدہ اکاؤنٹس کی تفصیلات جمع کراتے ہوئے انتہائی خوشی محسوس کررہے ہیں۔

اصولی سرگرمی

کمپنی کا بنیادی کام/سرگرمی فرٹیلائزر مینوفیکچرنگ اور ٹریڈنگ، PVC مینوفیکچرنگ اور مارکیٹنگ، فوڈ، توانائی کی پیداوار، کوئلے کی کان کنی، ایل این جی اور بڑے پیمانے پر کیمیکل ہینڈلنگ ٹرمینل اور اسٹوریج کے کاروباروں میں اپنی ذیلی کمپنیوں، ایسوسی ایٹس اور مشترکہ کمپنیوں میں کی گئی سرمایہ کاری کا بہتر طریقے سے انتظام کرنا ہے۔

کاروباری کارکردگی کا جائزہ

میکرواکنامک (کلاں معاشیات) کا ماحول 2018 کے دوران چیلنج کا شکار رہا۔ پاکستان کی شرح نمو جاری رہی لیکن کلاں معاشیاتی عدم توازن مزید وسیع تر ہوتا گیا۔ نسبتاً بڑھتے کرنٹ اکاؤنٹ خسارے کے سبب ادائیگیوں کا توازن دباؤ کا شکار رہا۔ برآمدات ایک مستقل رفتار کے ساتھ بڑھتی رہیں البتہ نسبتاً زیادہ درآمدات کی شرح کے نتیجے میں بھاری تجارتی خسارہ ہوا۔ ان چیلنجز کو دیکھتے ہوئے نئی حکومت غیر ملکی مالیات کے خلا کو پُر کرنے کے لیے نئی راہیں تلاش کررہی ہے جہاں پالیسی میں توجہ کا تمام تر رخ میکرواکنامکس استحکام کی جانب موڑ دیا گیا ہے۔ ریگولیٹری ڈیوٹیز عائد کردی گئی ہیں اور ایکسچینج ریٹ میں کچھ ردوبدل کی گئی ہے۔ مانگ کے دباؤ کو کم کرنے کے لیے پالیسی شرح سود کو بھی بڑھا دیا گیا ہے۔

اس چیلنجنگ ماحول کے باوجود اینگرو کارپوریشن نے عمدہ کارکردگی پیش کی۔ 2017 میں ہونے والی 128593 ملین روپے کی مجموعی آمدنی 33 فیصد اضافے سے 171568 ملین روپے ہوگئی جس میں مارکیٹ کی بنیاد میں بہتری سے فرٹیلائزر اور پیٹروکیمیکل کے کاروباروں کا زیادہ حصہ رہا۔ تمام کاروباروں کی مضبوط آپریشنل کارکردگی کے ساتھ ساتھ ایک مرتبہ ٹیکس کی چھوٹ سے بعد از ٹیکس مجموعی منافع 23632 ملین رہا جہاں اس کے مقابلے میں 2017 میں مجموعی بعد از ٹیکس منافع 16290 ملین روپے رہا تھا اور اس طرح مجموعی بعد از ٹیکس منافع میں 45 فیصد اضافہ رہا۔ اس میں کمپنی کا ممکنہ ٹیکس کا وہ حصہ بھی شامل ہے جو اگر زیر التوا مقدمات کا فیصلہ کمپنی کے خلاف آیا تو اس کے مشترکہ منصوبے کو اس ٹیکس کی ادائیگی کرنی ہوگی۔ کمپنی کی شیئر ہولڈنگ کی مناسبت سے بعد از ٹیکس منافع میں 35 فیصد اضافہ ہوا اور یہ 9407 ملین روپے سے بڑھ کر 12708 ملین روپے تک پہنچ گیا جس سے فی شیئر آمدن بڑھ کر 24.26 روپے تک پہنچ گئی جہاں 2017 میں فی شیئر آمدن 17.96 رہی تھی۔

اگر اکیلے محض ایک کمپنی کی بنیاد پر بات کی جائے تو کمپنی کا بعد از ٹیکس منافع 12720 ملین روپے رہا جہاں گزشتہ سال اس کے مقابلے میں 11400 ملین کا بعد از ٹیکس منافع ہوا تھا جس سے 2018 میں فی شیئر آمدن 24.28 روپے رہی۔ منافع میں اضافے کی بنیادی وجہ ایلینجی ٹرمینل پاکستان لمیٹیڈ میں 24 فیصد حصص کی ووپاک ایل این جی ہولڈنگ بی وی (ووپاک) کو فروخت ہے۔

ڈیویڈنڈ اور ترقی کے مواقعوں کے مرکب کی نمائندگی کرتی متعین کردہ حکمت عملی کے ساتھ ساتھ مطلوبہ شعبوں میں متعین سرمایہ کو بہتر بناتے ہوئے کمپنی ایک طویل المدتی مستحکم شیئر ہولڈر ویلیو تخلیق کرنے کی کوششوں میں مسلسل مصروف ہے۔ کمپنی کا مقصد اپنی طویل المدتی حکمت عملی کے تناظر میں اپنی سرمایہ کاری میں توازن اور اپنے کاروبار کو متنوع کرنا ہے۔

اسٹریٹیجک پورٹ فولیو مینجمنٹ حکمت عملی کے طور پر کمپنی نے جولائی 2018 کے دوران اینگرو پالیمر زاینڈ کیمیکلز لمیٹیڈ کی جانب سے جاری کردہ مستند شیئرز کو حاصل کیا جن کی مالیت 3 ارب روپے بنتی ہے۔ اس کے علاوہ کمپنی نے دسمبر 2018 میں ایلینجی ٹرمینل پاکستان میں اپنی 30 فیصد شیئر ہولڈنگ کی سرمایہ کاری نکال کر ووپاک کو فروخت کردی۔ اب ایلینجی ٹرمینل پاکستان میں کمپنی کی شیئر ہولڈنگ 56 فیصد ہے۔

ہر شعبے کی کاروباری کارکردگی کا جائزہ

کاروبار	آمدنی (ملین روپے)			منافع بعد از ٹیکس (ملین روپے)		
	2018	2017	شرح نمو	2018	2017	شرح نمو
کھاد	109,197	77,129	42%	17,414	11,156	56%
پالیمر زاینڈ کیمیکلز	35,272	27,731	27%	4,930	2,053	140%
توانائی	11,955	11,637	3%	1,597	1,713	(7%)
ٹرمینلز	15,878	13,679	16%	3,852	4,130	(8%)
فوڈز	34,977	36,403	(4%)	82	99	(17%)